思嘉集團有限公司
SIJIA GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1863

BUILD Worldclass Brand
FOUND Century Enterprise

2012
Annual Report

Contents

Corporate Information	2
Financial Highlights	3
Chairman's Statement	4
Management Discussion and Analysis	6
Biography of Directors and Senior Management	11
Corporate Governance Report	15
Report of the Directors	24
Independent Auditors' Report	30
Consolidated Statement of Profit or Loss and Other Comprehensive Income	32
Consolidated Statement of Financial Position	33
Consolidated Statement of Changes in Equity	34
Consolidated Statement of Cash Flows	35
Notes to the Financial Statements	37
Five-year Financial Summary	80

Corporate Information

Board of Directors

Executive Directors
Lin Shengxiong *(Chairman)*
Zhang Hongwang
Huang Wanneng

Independent Non-executive Directors
Cai Weican
Wu Jianhua
Chong Chi Wah

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1–1111
Cayman Islands

Principal Place of Business in Hong Kong

Unit F, 10th Floor
China Overseas Building
139 Hennessy Road
Wanchai, Hong Kong

Company Secretary

Chan Wing Hang

Authorised Representatives

Lin Shengxiong
Chan Wing Hang

Audit Committee

Chong Chi Wah *(Chairman)*
Cai Weican
Wu Jianhua

Remuneration Committee

Wu Jianhua *(Chairman)*
Lin Shengxiong
Cai Weican
Chong Chi Wah

Nomination Committee

Cai Weican *(Chairman)*
Wu Jianhua
Chong Chi Wah

Legal Advisers

Pang & Co., in association with Loeb & Loeb LLP

Auditors

ZHONGHUI ANDA CPA Limited

Principal Bankers

DBS Hong Kong Limited
Bank of China (Hong Kong) Limited
China Minsheng Banking Corp., Ltd.,
Hong Kong Branch

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor
Services Limited
Shops 1712–1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Stock Code

1863

Corporate Website

http://www.sijia.hk

Investor Relations Contact

Email: ir@sijiacn.com
Telephone: (852) 2477 3799
Fax: (852) 2477 9969

Financial Highlights

	2012	2011
Results		
Revenue (RMB million)	1,035.1	1,197.1
Gross profit (RMB million)	292.2	506.1
Profit (Loss) before tax (RMB million)	(341.9)	403.6
Profit (Loss) attributable to owners of the parent (RMB million)	(354.5)	328.3
Basic earnings (loss) per share (RMB cents)	(42.31)	39.61
Gross profit margin (%)	28.2	42.3
Financial position		
Cash and cash equivalents (RMB million)	80.1	242.1
Total assets (RMB million)	1,759.1	1,731.7
Total debts (RMB million)	684.4	273.6
Total equity (RMB million)	1,074.7	1,458.2
Current ratio (Times)	1.2	2.9
Quick ratio (Times)	1.0	2.5
Gearing – borrowings to total assets (%)	18.4	5.2
Efficiency ratios		
Average trade receivables turnover (Days)	136	60
Average trade payables turnover (Days)	88	49
Average inventories turnover (Days)	40	43
Cash conversion (Days)	88	54

Chairman's Statement

Lin Shengxiong

Chairman

Dear Shareholders,

Year 2012 marked a year of challenge and development for the foundation of Sijia Group Company Limited (the "Company") and its subsidiaries (together with the Company, the "Group"). 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.

As set out under the "Twelfth Five-Year Development Plan for New Materials Industry" promulgated in 2011, the new materials ("New Materials") industry is expected to reach a total output of RMB2 trillion by 2015, with an annual growth rate of above 25%. By proactively seizing the opportunity of the prospects of New Materials, the Group has carried out measures of reformation, which aim to improve the Group's system and achieve the overall effectiveness and efficiency of the Group. With the rapid development of the domestic New Materials Industry, the Group has set a definite goal to not only keep ourselves abreast of the evolving environment, but also to solidify our leading position in the industry.

To establish nationwide production bases is a top priority to the Group. As at to date, all fundamental construction works of the Group's 4th production workshop located in the Shanghai Sijia Industrial Park, Jinshan, Shanghai has been completed with highly-precise automated coating production line from Italy, enabling the Group to become a domestic manufacturer of reinforced materials (the "Reinforced Materials") with state-of-the-art equipment. Establishing an industrial chain is also a major development approach of the Group. We will continue to broaden the industrial chain ranging from raw materials to the ultimate outdoor leisure products and strive to build up ourselves as the top Asian brand in the industry.

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, thermoplastic polyurethane materials ("TPU"), 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 maintaining its strength in products such as inflatable materials, inflatable boats and materials for waterproof trousers, also plans to focus on developing 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..

Thank You!

Sincerely,

LIN Shengxiong

Chairman

28 May 2014

Management Discussion and Analysis

Market Overview

Year 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 in 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 its 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, 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 namely 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 ("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 Reinforced Materials.

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 had 18 local sales offices mainly for the promotion of the End Products.

Such decrease in sales 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), as a result of which there was a decrease in the sales volume of the End Products with a more competitive pricing term the Group had to offer to its customers.

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 the 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 ended 31 December 2012 (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 with an increase in cost of materials.

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

The selling and distribution costs decreased by approximately RMB2.7 million or 15.0%, from approximately RMB18.0 million, or 1.5% of total revenue of the Group, for the year ended 31 December 2011 to approximately RMB15.3 million, or 1.5% of total revenue of the Group for the year under review. 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 lower staff costs 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

Administrative expenses decreased by approximately RMB1.6 million or 2% from approximately RMB80.8 million, or 6.8% of total revenue of the Group for the year ended 31 December 2011, to approximately RMB79.2 million or 7.7% of total revenue of the Group for the year under review. 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 total revenue of the Group (2011: approximately RMB45.3 million, or 3.8% of total revenue of the Group). 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) and the products were not approved/adopted by the Group subsequently;

(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 a sum of approximately RMB80.0 million (to local government) which were later utilised as compensation to previous land occupiers following the land acquisition (徵地賠償); (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 of the Company (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 year ended 31 December 2011.

Finance Costs

Finance costs for the year under review was approximately RMB12.1 million (2011: approximately RMB3.1 million) which represent approximately 1.2% of total revenue of the Group for the year ended 31 December 2012 (2011: approximately 0.3%). The increase in finance costs for the year under review compared to last year was mainly attributable to an increase in bank borrowings by the Group to finance the Group's operations.

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 million, 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 the prospects of the Group's future sales, are of the view that the Group's business is viable and sustainable.

Dividends

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

Closure of Register of Members

The register of members of the Company will be closed from Friday, 10 October 2014 to Saturday, 18 October 2014 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 9 October 2014.

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 the financial statements, 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

As at 31 December 2012, the Group had interest-bearing bank borrowings of approximately RMB324.5 million, all denominated in RMB (31 December 2011: approximately RMB89.8 million) while total banking facilities with fixed interest rate 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.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2012 (2011: Nil).

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 improving the quality, competence and skills of all employees. During the year ended 31 December 2012, 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 overall performance and the performance of individual employees.

Biography of Directors and Senior Management

Directors

The board of directors (the "Board") of the Company consists of six directors (the "Directors"), including three executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Lin Shengxiong (林生雄), aged 51, is the Chairman and an executive Director of the Company, who is the brother of Mr. Zhang Hongwang's father-in-law. Mr. Lin is one of the founders of the Group and a substantial shareholder of the Company. Mr. Lin was appointed as a Director on 7 October 2009. Other than holding directorship in the Company, Mr. Lin is also a director of China Grandsoo Holding Company Limited and Sijia International Holding Limited. He is responsible for all strategic planning of the Group. Mr. Lin has over 28 years of experience in the polymers and plastics industry. He has extensive experience in corporate development and strategic and production management. Mr. Lin was elected as vice chairman of the 3rd session of the Fujian branch of China Chamber of International Commerce (中國國際商會福建商會) in June 2004. During that year, he also held the post of Committee Member of the 5th session of the Sanming City Sanyuan District Committee* (三明市三元區第五屆委員會) in January. Mr. Lin was elected as a committee member of the 4th session of the Fujian Association of Enterprises with Foreign Investment in November 2007, a committee member of the 3rd committee of the Fujian Federation of Industry & Commerce in April 2007 and the chairman of Association of Plastic Material Industry of Fuzhou City* (福州市塑膠同業公會) in 2010. Mr. Lin was also elected as a Member of the 8th Committee of the Chinese People's Political Consultative Conference of Jinan District of Fuzhou City* (中國人民政治協商會議福州市晉安區第八屆委員會) in December 2011 and deputy chairman of Association of Environmental Protection of Jinan District of Fuzhou City* (福州市晉安區環保協會) in 2011. Mr. Lin completed certificate course for graduate students in world economics in Graduate Students' College of Xiamen University (廈門大學研究生院) in September 2001.

Mr. Zhang Hongwang (張宏旺), aged 37, is an executive Director of the Company, who is the son-in-law of Mr. Lin Shengxiong's elder brother. Mr. Zhang was appointed as a Director on 7 October 2009. Other than holding directorship in the Company, Mr. Zhang is also a director of Sijia International Holding Limited and a manager of Fujian Hausa Import and Export Co., Ltd. (福建浩思進出口貿易有限公司). He is responsible for the operations of the Group. Mr. Zhang has over 17 years of experience in the polymers and plastic industry. He has extensive experience in financial management and operation. Since February 2002, Mr. Zhang served as the general manager of Fujian Sijia Industrial Material Co., Ltd ("Fujian Sijia"), a subsidiary of the Company, responsible for products promotion, formulating and implementing development strategies and operation plans of the Group. Prior to joining the Group, Mr. Zhang served as the accountant and was later promoted as accounting manager of Fujian Sanming Yongfeng Plastics Co., Ltd.* (福建三明市永豐塑膠有限公司) from September 1996 to October 2000. Subsequently, Mr. Zhang acted as general manager of Fujian Fang Ya from October 2000 to December 2002 responsible for the production, sales and operation in manufacturing rain coats. Through the above work experience with these companies, Mr. Zhang gained substantial knowledge and experience in technologies, formulae and production techniques in manufacturing of polymer products. He has also completed the certificate course for senior business management chief executive seminars (高級工商管理總裁研修班) in Qinghua University in December 2007.

* *For identification purpose only*

Mr. Huang Wanneng (黃萬能), aged 47, is an executive Director of the Company. Mr. Huang was appointed as a Director on 7 October 2009. Other than holding directorship in the Company, Mr. Huang is also a manager of Sijia New Material (Shanghai) Co., Ltd. (思嘉環保材料科技有限公司). He is principally responsible for the research and development of the Group. Mr. Huang is a chief mechanical engineer and has about 25 years of experience in the polymer and plastic industry. He has extensive experience in on-site management, development of technology and equipments and improvement in production techniques. Mr. Huang joined the Group and served as deputy general manager and chief engineer of Fujian Sijia, mainly responsible for the new equipments, technology and product development, equipment management and technology reform of equipments since September 2002. Prior to joining the Group, Mr. Huang worked for Fujian Hongming Plastics Co., Ltd.* (福建省宏明塑膠股份有限公司) where he served various positions, namely, workshop technician, workshop supervisor, equipment engineer and department chief of equipment department from July 1989 to August 2002. During this period, Mr. Huang specialised in management of production automation system used in the manufacturing of polymer products. He obtained his bachelor's degree in electric engineering from Southeast University in July 1989.

Independent non-executive Directors

Mr. Chong Chi Wah (莊志華), aged 52, is an independent non-executive Director of the Company. Mr. Chong was appointed as a Director on 14 February 2011. Mr. Chong graduated from the Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) with a Diploma in Management Studies in 1991 and graduated from University of San Francisco of the United States with a Master degree in Business Administration (MBA) in 1997. Mr. Chong is a fellow member of The Association of Chartered Certified Accountants of the United Kingdom, an associate member of Hong Kong Institute of Certified Public Accountants, associate member of The Institute of Chartered Secretaries and Administrators and associate member of The Hong Kong Institute of Chartered Secretaries. Mr. Chong has over 27 years of experience in accounting, audit and finance. He is currently an independent non-executive director of Daisho Microline Holdings Limited (stock code: 567), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Chong was an independent non-executive director of China Solor Energy Holdings Limited (stock code: 155), a company listed on the Main Board of the Stock Exchange since March 2011 till January 2012; and was an independent non-executive director of Ruifeng Petroleum Chemical Holdings Limited (瑞豐石化控股有限公司) (stock code: 8096), a company listed on the GEM Board of the Stock Exchange since December 2013 till April 2014.

Mr. Cai Weican (蔡維燦), aged 54, is an independent non-executive Director of the Company. Mr. Cai was appointed as a Director on 6 January 2010. Mr. Cai joined Sanming Vocational and Technical College (三明職業技術學院) since June 2005, holding various positions ranging from senior lecturer, assistant professor, senior accountant of the Financial and Accounting Department, Second Convenor (presiding over works) of the Department of Economics and Management, party sub-committee secretary of the Department of Humanity, Economics and Management. Mr. Cai is currently the supervisor and party sub-committee secretary of the Department of Economics and Management at Sanming Vocational and Technical College (三明職業技術學院). Mr. Cai has been the vice president of the Sanming Institute of Auditors (三明市審計學會) and a member of the Expert Team of Budget Audit and Oversight of People's Congress Standing Committee of Sanming City (三明市人大常委會預算審查監督專家組). Mr. Cai obtained a number of honorary titles such as Outstanding Teacher Award by the Finance Department of Fujian Province (福建省財政廳) and Outstanding Teacher of Fujian Province. He obtained a bachelor's degree in Hunan University specialising in accounting in 2004.

* *For identification purpose only*

Mr. Wu Jianhua (吳建華), aged 69, is an independent non-executive Director of the Company. Mr. Wu was appointed as a Director on 14 January 2011. Mr. Wu is currently the chairman of the Agricultural Society of Fujian, the PRC. Mr. Wu was a postgraduate of Fujian Agriculture and Forestry University (福建農林大學) specialized in Agriculture Economy Management and graduated from University of North Virginia of the United States with a Master degree in Business Administration (MBA) in 2003. Mr. Wu had been a Representative of the 9th National People's Congress, a member of the 7th Provincial Party Committee and a member of 7th and 9th Provincial Political Consultative Conference. During the period from 1969 to 1988, he had worked for Fuzhou Car Manufactory and Repair Plant (福州汽車修造廠), Provincial Traffic Department (省交通廳), industry and traffic division of Executive Office of the Provincial Government (省政府辦公廳工交處), Putian City Planning Commission (莆田市計委), Bureau of Legislative Affairs of the Provincial Government (省政府法制局), served as Deputy Commissioner, Deputy Head, Head of the Planning Commission, Legal Secretary respectively. Between 1988 and 2005, Mr. Wu served as Deputy Secretary General of the Provincial Government, Putian City Mayor, Director of Provincial Agriculture Office engaging in the agricultural economic management works. Since August 2005, Mr. Wu had served as Deputy Director of the Provincial Committee of Economy, Science and Technology and continued to lead in agricultural economic management works. During this period, Mr. Wu had also chaired the formulation of "Shi•Wu (十 • 五)", "Shiyi•Wu (十一 • 五)" agricultural development planning and characteristic agricultural industry of Fujian province, and had participated in research and implementation of projects involving comprehensive law enforcement in agriculture, deepening Taiwan and Fujian agricultural cooperation, establishing 969155 agricultural information hotline.

None of the Directors is interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

Senior Management

Mr. Chan Wing Hang (陳永恒), aged 36, is the company secretary and chief financial officer of the Company and is responsible for the overall financial control, company secretarial, compliance and investor relation functions of the Company. Mr. Chan graduated from The University of Hull in January 2012 with a degree of Master of Business Administration (MBA) and from City University of Hong Kong (香港城市大學) in November 1999 with a degree of Bachelor of Business Administration (Honours) in Accountancy. He is a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company in October 2009, Mr. Chan was the financial controller, qualified accountant and company secretary of China National Materials Company Limited (中國中材股份有限公司) (stock code: 1893), the shares of which are listed on the Main Board of the Stock Exchange. He has also served as the assistant financial controller, qualified accountant and company secretary of Western Mining Company Limited (西部礦業股份有限公司) (stock code: 601168), the shares of which are listed on the Shanghai Stock Exchange. Prior to that, Mr. Chan was also the qualified accountant and company secretary of Shinhint Acoustic Link Holdings Limited (成謙聲匯控股有限公司) (stock code: 2728), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Chan has 16 years of experience in accounting, corporate finance, compliance, company secretarial, investor relations and initial public offerings.

Mr. Wu Yonggui (伍永貴), aged 34, is the division head of finance of the Group, mainly responsible for accounting and audit of the Group. Mr. Wu is also an accountant and assistant economist. Before joining the Group in January 2006, Mr. Wu held various posts with Xiamen Huier-Kang Food Co., Ltd.* (廈門惠爾康食品有限公司), namely, costs analyst, production planning officer and costs accountant for the period from July 2003 to December 2004. From January 2005 to December 2005, he worked as sales accountant for Fujian Huier-Kang Dairy Co., Ltd.* (福建惠爾康乳業有限公司). Mr. Wu graduated from Jimei University (集美大學) majoring financial management (with human resource management).

Mr. Lai Derong (賴德榮), aged 41, is the vice president of the Group and is primarily responsible for overseeing the production management of the Group. Mr. Lai joined the Group in June 2008. Prior to joining the Group, he worked for Intex Group from July 1994 to July 2005 and served various positions as technician, team leader and division head of production and management department. From August 2005 to May 2008, he served as manager of Polytree Group, mainly responsible for the technology, production and management of the factory.

Ms. Zheng Lijuan (鄭麗娟), aged 34, is the deputy general manager and division head of the procurement department of the Group and is responsible for the procurement of the Group, cost control and the 7S management of the Group's. Ms. Zheng joined the Group in October 2005. During the period from October 2005 to June 2010, Ms. Zheng was the division head of finance of the Group and in March 2010, the division head of the procurement department of the Group. In June 2010, she was promoted as the deputy general manager. Ms. Zheng graduated from Xiamen University (廈門大學) in 1999, majoring in financial accounting and completed the MBA course of Fuzhou University (福州大學) in 2010.

Mr. Huang Daohuo (黃道火), aged 41, is the product technology manager and the division head of sales support of the Group, primarily responsible for overseeing the marketing of new products and the after- sale technical support service of the Group. Mr. Huang joined the Group in July 2003 and has 17 years of experience in polymer materials industry.

Mr. Jiang Shisheng (蔣石生), aged 44, is the division head of technology of the Group, primarily responsible for technological development of the Group. Mr. Jiang was approved as an engineer by Fujian Provincial Bureau of Personnel in December 1998. Prior to joining the Group in August 2006, Mr. Jiang served various positions as crafts technician, supervisor of technological development department and supervisor of technical center of Fujian Hongming Plastics Co., Ltd* (福建宏明塑膠股份有限公司) from July 1992 to August 2003, crafts engineer of Sanming Mingxin Plastics Co., Ltd* (三明明鑫塑膠有限公司) from August 1993 to July 1999, and supervisor of technical department of Zhejiang Longyue Technology Co., Ltd. (浙江龍躍科技有限公司) from August 2003 to April 2006. Mr. Jiang obtained a bachelors degree in engineering from Tianjin University of Light Industry* (天津輕工業學院).

Company Secretary

Mr. Chan Wing Hang (陳永恒), for further details, please see the sub-section headed "Senior Management" above.

Corporate Governance Report

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. The Board will strive to adhere to the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards by focusing on areas such as internal control, fair disclosure and accountability to all of its shareholders.

The Company has applied 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.

(A) The Board of Directors

The overall management of the Company's operation is vested in the Board.

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitoring of the performance of the senior management. The Directors make decisions objectively in the interests of the Company. As at 31 December 2012, the Board comprised six Directors, including three executive Directors and three independent non-executive Directors. Their names, biographical details and relationships (some of the Directors are related to each other) are set out in the section entitled "Biography of Directors and Senior Management" in the annual report.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the executive Directors, senior management and certain specific responsibilities to the Board committees.

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.

Chairman and Chief Executive Officer

Under provision A.2.1 of the Code, the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. During the financial year ended 31 December 2012, the role of the Chairman is performed by Mr. Lin Shengxiong and the role of Chief Executive Officer of the Company are performed by our General Manager, Mr. Zhang Hongwang, who is the son-in-law of Mr. Lin's brother. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals. The Board currently comprises three executive Directors and three independent non-executive Directors and therefore has a strong independence element in its composition.

Appointments, Re-election and Removal of Directors

Each of the executive Directors and independent non-executive Directors has entered into a service contract with the Company for a specific term. Such term is subject to his re-appointment by the Company at an annual general meeting (the "AGM") upon retirement. The articles of association of the Company provide that any Director appointed by the Board, (i) to fill a casual vacancy in the Board, shall hold office only until the next following general meeting of the Company and shall be subject to re-election at such meeting and (ii) as an addition to the Board shall hold office until the next AGM of the Company and shall then be eligible for re-election.

Independent Non-Executive Directors

Independent non-executive Directors play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. In particular, they bring an impartial view to bear on issues of the Company's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advices to the Board. The Board also considers that independent non-executive Directors can provide independent advice on the Company's business strategy, results and management so that all interests of shareholders can be taken into account, and the interests of the Company and its shareholders can be protected.

All of the independent non-executive Directors are appointed for a term of 2 years and are subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Training and Professional Development

Every Director keeps abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company. The Company seeks to provide all members of the Board with regular updates on the Group's performance and financial position.

Directors also review the regular business and financial updates and other reading materials provided to them concerning latest developments in corporate governance practices and relevant legal and regulatory developments.

Executive directors	
Lin Shengxiong	B,C
Zhang Hongwang	B,C
Huang Wanneng	B,C
Independent non-executive directors	
Cai Weican	B,C
Wu Jianhua	B,C
Chong Chi Wah	A,B,C

A: attending seminars/meetings/forums/conferences/courses/workshops organized by professional bodies or regulatories

B: reading journals/newsletters/seminar materials/publications/magazines

C: reading memoranda issued or materials provided by the Company

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Corporate Governance Function

The Board is responsible for determining the policy for the corporate governance of the Company and performing its corporate governance duties as set out below:

(i) Develop and review the Company's policies and practices on corporate governance;

(ii) Review and monitor the training and continuous professional development of Directors and senior management;

(iii) Review and monitor the Company's policies and practices on compliance with all legal and regulatory requirements;

(iv) Develop, review and monitor the code of conduct and compliance manual applicable to the employees and directors; and

(v) Review the Company's compliance with the code of corporate governance and disclosure requirements in the Corporate Governance Report.

During the year, the Board adopted a Corporate Governance Handbook which is comprised of, inter alias, continuous disclosure policies, securities dealings policies, whistle-blowing policies, shareholders communication policies as well as terms of reference of the board committees and the charter for internal audit.

Board Committees

The Board has established Audit Committee, Remuneration Committee and Nomination Committee (collectively "Board Committees") with defined terms of reference. The terms of reference of the Board Committees are available upon request. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

The Audit Committee is responsible for the review and supervision of the Group's financial reporting process, internal controls and review of the consolidated financial statements. The Audit Committee meets regularly with the Company's external auditors to discuss the audit process and accounting issues (and in the absence of management if appropriate). Their written terms of reference are in line with the Code provisions. Members of the Audit Committee comprise Mr. Chong Chi Wah (Chairman), Mr. Cai Weican and Mr. Wu Jianhua, all of whom are independent non-executive Directors.

The Audit Committee has specific written terms of reference, including amongst other duties the following key responsibilities:

- Make recommendations to the Board on the appointment and, if necessary, the replacement/resignation of the external auditors and assess their independence, performance and fee levels;
- Review the completeness, accuracy and fairness of the Company's interim and annual financial statements and reports;
- Ensure compliance with the applicable accounting standards and legal and regulatory requirements on financial reporting and disclosures;
- Review the arrangements for the Company's employees to raise concerns about financial reporting and any other improprieties;
- Oversee the effectiveness of financial reporting systems; and
- Ensure ongoing assessments of the Group's internal control systems over financial, operational, compliance and broad risk management processes.

The Audit Committee met twice during the financial year. The audit committee 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.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Directors' remuneration and other benefits. The remuneration of all Directors is subject to regular review by the Remuneration Committee to ensure that their remuneration and compensation are reasonable. Their written terms of reference are in line with the Code provisions. Members of the Remuneration Committee comprise Mr. Wu Jianhua (Chairman), Mr. Lin Shengxiong, Mr. Chong Chi Wah and Mr. Cai Weican.

The Committee has specific written terms of reference and its primary duties include:

- Ongoing review of the Group's overall remuneration policies and structure;
- Making recommendations to the Board on the administration of fair and transparent procedures for setting policies on the remuneration of directors and senior management;
- Reviewing and approving management's remuneration proposals with reference to the Board's corporate goals and objectives; and
- Reviewing and approving compensation payable to executive directors and senior management for any loss or termination of office.

The Remuneration Committee met once during the financial year. During the meeting, the Remuneration Committee reviewed and approved the new remuneration scheme regarding the employees and the Directors for the financial year on behalf of the Board. All members of the Remuneration Committee attended the meetings.

For the year ended 31 December 2012, the remuneration of members of senior management by band is set out below:

Band of Remuneration	Number of Individuals
Nil to RMB1,000,000	6

Nomination Committee

The Nomination Committee is primarily responsible to consider and recommend to the Board suitably qualified persons to become the member of the Board and is also responsible for reviewing the structure, size and composition of the Board on a regular basis and as required. Members of the Nomination Committee comprise Mr. Cai Weican (Chairman), Mr. Chong Chi Wah and Mr. Wu Jianhua.

The Committee has specific written terms of reference and its primary duties include:

- Review the structure, size and composition (including the skills, knowledge and experience) of the Board annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- Identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- Assess the independence of independent non-executive directors and review the independent non-executive directors' annual confirmation on their independence;
- Make recommendations to the Board on the appointment and re-appointment of directors and the succession planning for directors and, in particular, the chairman and the chief executive;
- Review the contribution required from a director to perform his/her responsibilities, and whether he/she is spending sufficient time performing them;
- Review the training and continuous professional development of the Directors.

During the financial year, one meeting was held by the Nomination Committee. The Committee considered the size and composition of the Board and was of the view that they were sufficient to meet the Company's business needs in respect of the financial year. All members of the Nomination Committee attended the meeting.

Meetings

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications. The attendance of individual Directors at these meetings is set out below:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
No. of meetings held for the year ended 31 December 2012	3	2	1	0
Executive Directors				
Lin Shengxiong	3	N/A	1	N/A
Zhang Hongwang	3	N/A	N/A	N/A
Huang Wanneng	3	N/A	N/A	N/A
Independent non-executive Directors				
Chong Chi Wah	3	2	1	1
Cai Weican	3	2	1	1
Wu Jianhua	3	2	1	1

All Directors are provided with notice and agenda of meeting at least 14 days in advance, while relevant materials relating to the matters brought before the meetings at least three days in advance. All Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have access to the advice and services of the Company Secretary, who is responsible for providing Directors with Board papers and related materials and ensuring that Board procedures are followed. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings. Reasonable notices of Board meetings are given to the Directors and Board procedures complied with the articles of association of the Company, as well as relevant rules and regulations.

Conflict of Interest

If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, such Director is required to declare his interest and to abstain from voting. The matter is considered at a Board meeting attended by Directors who have no material interest in the transaction.

(B) Financial Reporting and Internal Control

Financial Reporting

The Board, supported by the finance department, is responsible for the preparation of the financial statements of the Group and the Company. In the preparation of financial statements, the Hong Kong Financial Reporting Standards and the Companies Ordinance (Cap 32) prior to its repeal and replacement on 3 March 2014 have been adopted, the appropriate accounting policies have been consistently used and applied, and reasonable judgements and estimates are properly made. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosure and announcements in a timely manner. All Directors also acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2012.

The work scope and responsibilities of ZHONGHUI ANDA CPA Limited, the Company's external auditor, are stated in the section entitled "Independent Auditor's Report" in this annual report.

External Auditor's Remuneration

Ernst & Young, which had acted as the auditors of the Company, was removed in the extraordinary meeting on 15 May 2013. During the year ended 31 December 2012, no audit fee was paid or payable to Ernst & Young and their network firms and non-audit services fee paid or payable to Ernst & Young and their network firms was RMB1,425,000.

The Company appointed ZHONGHUI ANDA CPA Limited (formerly known as ANDA CPA Limited) as the auditors of the Company on 25 September 2013. During the year ended 31 December 2012, the remuneration paid or payable to ZHONGHUI ANDA CPA Limited and their network firm is set out below:

Service rendered	Fee paid/payable HK$'000
Audit of financial statements	2,700
	2,700

Internal Control

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance of applicable laws, rules and regulations. The Group conducted general review and monitor of the Group's internal management and operation during the financial year.

In addition to the above, the Board and the Audit Committee have reviewed the effectiveness of its internal control systems on all major operations of the Group on a rotational basis by appointing Shinewing Risk Services Limited on their behalf. The scope of review by the professional accounting firm has been determined and approved by the Audit Committee. The professional accounting firm has reported major internal control review findings to the Board and the Audit Committee. No major issue but areas for improvement have been identified. All recommendations from the professional accounting firm will be properly followed up to ensure that they are implemented within a reasonable period of time. The Board and the Audit Committee considered that the key areas of the Group's internal control systems are reasonably implemented and the Group has substantially complied with the Code provisions regarding internal control systems.

(C) Company Secretary

Chan Wing Hang, the company secretary appointed by the Board and an employee of the Company, in the opinion of the Board, possesses the necessary qualification and experience, and is capable of performance of the functions of the company secretary. For the year ended 31 December 2012, Mr. Chan has taken 15 hours of professional training. The Company will provide fund for Mr. Chan to take not less than 15 hours of appropriate professional training in each financial year as required under Rule 3.29 of the Listing Rules.

(D) Communications with Shareholders and Investor Relations

The management believes that effective communication with the investment community in a timely manner through various media is essential. We held regular briefings, attended investor conferences and participated in roadshows to meet institutional investors and financial analysts in Hong Kong, the PRC and overseas countries to keep them abreast of the Company's business and development.

AGM proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices. The notice of AGM is distributed to all shareholders at least 21 days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the AGM exercises his power under the articles of association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the beginning of the meeting. Voting results are posted on the Group's website on the day of the AGM.

The Company will invite representatives of the external auditors to attend the AGM to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

(E) Shareholders' Rights

1. Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to Article 58 of the articles of association of the Company extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

2. Procedures for Raising Enquiries

Shareholders may direct their queries about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited.

3. Procedures for Putting Forward Proposals at Shareholders' Meetings

(i) Proposal for Election of a Person Other than a Director as a Director:

According to Article 85 of the articles of association of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a shareholder of the Company (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office of the Company in Hong Kong or at the Company's branch share registrar in Hong Kong provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

(ii) Other Proposals:

If a shareholder wishes to make other proposals (the "Proposal(s)") at a general meeting, he/she may lodge a written request, duly signed, at the head office of the Company in Hong Kong marked for the attention of the company secretary of the Company.

The identity of such shareholder and his/her request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the share registrar that the request is proper and in order, and is made by a shareholder of the Company, the Board will in its sole discretion decide whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

(E) Shareholders' Rights *(continued)*

3. Procedures for Putting Forward Proposals at Shareholders' Meetings *(continued)*

(ii) Other Proposals: *(continued)*

The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires approval in an annual general meeting of the Company;

(2) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution in an extraordinary general meeting of the Company;

(3) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of an ordinary resolution in an extraordinary general meeting of the Company.

(F) Constitutional Documents

During the year ended 31 December 2012, there was no change in the memorandum and articles of association of the Company.

The amended and restated memorandum and articles of association of the Company are available on the website of the Stock Exchange and the website of the Company.

Report of the Directors

The Directors present this report and the audited financial statements of the Group for the year ended 31 December 2012.

Principal Activities

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 39 to the financial statements. The Group 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.

Financial Results and Dividends

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of profit or loss and other comprehensive income on page 31 of this annual report.

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

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 80 of this annual report.

Share Capital and Share Options

Details of movements of the Company's share capital and share options are set out in notes 32 and 33 to the financial statements, respectively.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

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.

Reserves

The distributable reserves of the Company, calculated in accordance with the Companies Laws (Revised) Chapter 22 of the Cayman Islands, as at 31 December 2012 amounted to approximately RMB1,069.6 million.

The share premium of the Company is available for distribution or paying dividends to the shareholders provided that immediately following the distribution or the payment of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

Movements in the reserves of the Group during the year are set out in note 34 to the financial statements of this annual report.

Major Customers and Major Suppliers

During the year, the five largest customers and suppliers of the Group accounted for less than 30% of the total turnover and cost sales of the Group, respectively.

Directors

The Directors of the Company during the year and up to the date of this report were as follows:

Executive Directors

Lin Shengxiong *(Chairman)*
Zhang Hongwang
Huang Wanneng

Independent Non-Executive Directors

Chong Chi Wah
Wu Jianhua
Cai Weican

In accordance with Articles 84 of the Company's articles of association, Mr. Lin Shengxiong, Mr. Zhang Hongwang, Mr. Huang Wanneng, Mr. Cai Weican, Mr. Wu Jianhua and Mr. Chong Chi Wah will retire at the forthcoming AGM to be held on 18 October 2014 and, being eligible, offer themselves for re-election. The terms of directorship of all the executive Directors and all the independent non-executive Directors are three-year and two-year, respectively unless terminated by either party giving not less than three months' notice to the other party.

All the independent non-executive Directors have confirmed their independence pursuant to Rule 3.13 of the Listing Rules and based on such confirmation, the Company is of the opinion that the independence status of the independent non-executive Directors remains intact as at 31 December 2012.

Directors' Remuneration and the Five Highest Paid Individuals

The Directors' remuneration is determined with reference to their performance, market rates, time commitment and the prevailing market conditions. Details of Directors' remuneration and those of the five highest paid individuals in the Group are set out in notes 14 and 15 to the financial statements, respectively.

Directors' Service Contracts

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Directors' Interests in Contracts

Save as disclosed in note 38 to the financial statements, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Company to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party at the end of the year or at any time during the year.

Directors' and Chief Executives' Interests in Shares and Underlying Shares of the Company

As at 31 December 2012, the interests of each Director and chief executive in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in Shares of the Company

Name of Director	Capacity/Nature of interest	Long/Short position	Number of shares held	Approximate percentage of shareholding in the Company
Lin Shengxiong	Interests in controlled corporation (Note)	Long position	511,886,000 (Note)	60.04%
Zhang Hongwang	Beneficial owner	Long position	60,000	0.007%
Huang Wanneng	Beneficial owner	Long position	60,000	0.007%

Note: These shares are held by Hopeland International Holdings Company Limited, which is wholly-owned by Mr. Lin Shengxiong. Therefore, Mr. Lin Shengxiong is deemed to be interested in these Shares under the SFO.

Interest in Shares of Associated Corporation of the Company

Name of Director	Name of associated corporation	Capacity/Nature of interest	Long/Short position	Number of shares held	Approximate percentage of shareholding in the associated corporation
Lin Shengxiong	Hopeland International Holdings Company Limited	Beneficial owner	Long position	1	100.00%

Directors' Rights to Acquire Shares or Debentures of the Company

Save as disclosed above and the section "Share Option Scheme", as at 31 December 2012, none of the Directors or chief executive of the Company had any interests in or short positions in the shares, underlying shares and debentures of the Company or any associated corporation or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations required to be disclosed pursuant to the SFO.

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interests or short positions in shares or underlying shares in, or debentures of, the Company or its associated corporations.

Share Option Scheme

The Company has adopted its share option scheme (the "Share Option Scheme") on 8 April 2010 to provide incentives to the employees, including any executive and non-executive Directors and officers of the Company and its subsidiaries, to contribute to the Group and to enable us to recruit high-calibre employees and attract and retain human resources that are valuable to the Group. Pursuant to the Share Option Scheme, the Directors may, at their discretion, invite eligible participants including employees, executive and non-executive Directors, officers, agents or consultants of the Group to take up options to subscribe for the Company's shares subject to the terms and conditions stipulated therein. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for ten years.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the shares of the Company in issue on 29 April 2010, the date of completion of the global offering and capitalisation issue. No options may be granted under the Share Option Scheme if this will result in such limit exceeded unless another shareholders' approval is obtained. As at 31 December 2012, the number of shares available for issue under the Share Option Scheme is 80,000,000, representing 9.38% of the total number of shares of the Company in issue. The total number of shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to each participant must not exceed 1% of the shares of the Company in issue.

The exercise price must be at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were granted on 22 July 2010 and exercisable from 22 July 2010 to 21 July 2015 at an exercise price of HK$3.30 per share:

Executive Directors

Zhang Hongwang	8,000,000
Huang Wanneng	6,000,000

The following share options were granted on 30 September 2010 and exercisable from 30 September 2010 to 29 September 2015 at an exercise price of HK$3.50 per share:

Other Participants

Employees	36,000,000

As at 31 December 2012, all options granted had not been exercised.

Non-listed Warrants

On 17 November 2010, the Company issued 35,000,000 non-listed warrants at HK$0.01 each, the net proceeds of approximately HK$170,000 was raised as general working capital of the Group. Each warrant has subscription right to subscribe for one new share of the Company at subscription price of HK$4.50 per new share, subject to adjustment, for a period of 30 months commencing from the date immediately after the expiry date of 6 months after the date of the issue of the warrants.

None of such warrants was ever exercised since the date of issue. As at 31 December 2012, the Company had outstanding 35,000,000 non-listed warrants to be exercised before 16 November 2013. Exercised in full of such warrants would result in the issue of 35,000,000 additional ordinary shares of the Company.

Substantial Shareholders' Interests in Shares and Underlying Shares of the Company

The register of substantial shareholders required to be kept under Section 336 of the SFO shows that as at 31 December 2012, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed under the section "Directors' and Chief Executives' Interests in Shares and Underlying Shares of the Company".

Name of shareholder	Long/Short position	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding in the Company
Hopeland International Holdings Company Limited (Note 1)	Long position	Beneficial owner	511,886,000	60.04%
Lin Hongting (Note 2)	Long position	Interests of spouse	519,886,000	60.04%
Glory Bright Investments Enterprise Limited (Note 3)	Long position	Beneficial owner	59,011,000	6.92%
Lin Wanpeng (Note 3)	Long position	Interests in controlled corporation	59,011,000	6.92%
Wang Huiqing (Note 4)	Long position	Interests of spouse	59,011,000	6.92%

Notes:

1. The entire issued share capital of Hopeland International Holdings Company Limited is beneficially owned by Lin Shengxiong who is deemed to be interested in the shares of the Company held by Hopeland International Holdings Company Limited pursuant to the SFO.

2. Ms. Lin Hongting is the spouse of Mr. Lin Shengxiong. Therefore, Ms. Lin Hongting is deemed to be interested in the shares of the Company in which Mr. Lin Shengxiong is interested and the share options granted to Mr. Lin for the purposes of the SFO.

3. The entire issued share capital of Glory Bright Investments Enterprise Limited is beneficially owned by Mr. Lin Wanpeng who is deemed to be interested in the shares of the Company held by Glory Bright Investments Enterprise Limited pursuant to the SFO.

4. Ms. Wang Huiqing is the spouse of Mr. Lin Wanpeng. Therefore, Ms. Wang Huiqing is deemed to be interested in the shares of the Company in which Mr. Lin Wanpeng is interested for the purposes of the SFO.

Save as disclosed above, no other interest or short position in the shares and underlying shares of the Company was recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2012.

Corporate Governance

The Group is committed to maintaining a high level of corporate governance practices. A detailed Corporate Governance Report is set out on pages 15 to 23 in the annual report.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of its directors, the directors confirmed that the Company has maintained the amount of public float as required under the Listing Rules as at the latest practicable date prior to the issue of the annual report.

Auditors

ZHONGHUI ANDA CPA Limited will retire and a resolution for their reappointment as auditors of the Company will be proposed at the annual general meeting to be held on 18 October 2014.

Continued Suspension in Trading

Trading in the Shares of the Company was suspended with effect from 14 February 2013 and will remain suspended until further notice.

On Behalf of the Board

Lin Shengxiong
Director

Hong Kong
28 May 2014

Independent Auditor's Report

中汇
ZHONGHUI

To the shareholders of Sijia Group Company Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sijia Group Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 32 to 79, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practising Certificate Number P03614

Hong Kong, 28 May 2014

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	8	1,035,130	1,197,085
Cost of sales		(742,933)	(690,964)
GROSS PROFIT		292,197	506,121
Other income and gains	9	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	10	(6,079)	–
Impairments of various assets		(522,476)	–
Finance costs	11	(12,136)	(3,130)
(LOSS)/PROFIT BEFORE TAX	12	(341,933)	403,580
Income tax expense	13	(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	16	(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)	18		
– 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	19	887,585	776,389
Prepaid land lease payments	20	34,509	30,661
Intangible assets	21	4,550	5,761
Deposits paid for acquisition of property, plant and equipment		93,616	174,065
Available-for-sale investment	22	4,140	4,140
Deferred tax assets	23	34,331	3,754
Total non-current assets		1,058,731	994,770
Current assets			
Inventories	24	117,451	106,989
Trade and bills receivables	25	305,767	245,962
Prepayments, deposits and other receivables		126,567	115,984
Pledged deposits	27	70,502	25,956
Cash and cash equivalents	27	80,116	242,070
Total current assets		700,403	736,961
Current liabilities			
Trade and bills payables	28	250,731	104,635
Other payables and accruals	29	68,169	38,557
Interest-bearing bank borrowings	30	224,476	89,766
Deferred income	31	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	30	100,000	–
Deferred income	31	2,490	2,850
Deferred tax liabilities	23	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	32	747	728
Reserves	34	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

The consolidated financial statements on pages 32 to 79 were approved and authorised for issue by the board of directors on 28 May 2014 and are signed on its behalf by:

Approved by:

Lin Shengxiong
Director

Zhang Hongwang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company											
	Issued capital RMB'000	Capital surplus/ Share premium* RMB'000	Capital reserve* RMB'000	Share option reserve* RMB'000	Warrant reserve* RMB'000	Statutory surplus funds* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Proposed final dividend* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	728	594,987	28,994	13,101	161	57,092	(7,140)	439,193	69,870	1,196,986	–	1,196,986
Total comprehensive (expenses)/income for the year	–	–	–	–	–	–	(1,752)	328,277	–	326,525	(487)	326,038
Capital contribution by a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	5,000	5,000
Final 2010 dividend paid	–	–	–	–	–	–	–	–	(69,870)	(69,870)	–	(69,870)
Proposed final 2011 dividend	–	(67,409)	–	–	–	–	–	–	67,409	–	–	–
Transfer from retained profits	–	–	–	–	–	35,381	–	(35,381)	–	–	–	–
At 31 December 2011	728	527,578	28,994	13,101	161	92,473	(8,892)	732,089	67,409	1,453,641	4,513	1,458,154
At 1 January 2012	728	527,578	28,994	13,101	161	92,473	(8,892)	732,089	67,409	1,453,641	4,513	1,458,154
Total comprehensive expenses for the year	–	–	–	–	–	–	(225)	(354,488)	–	(354,713)	(173)	(354,886)
Final 2011 dividend paid	–	–	–	–	–	–	–	–	(28,565)	(28,565)	–	(28,565)
Allotment and issue of new shares in respect of scrip dividend scheme	19	38,825	–	–	–	–	–	–	(38,844)	–	–	–
Transfer from retained profits	–	–	–	–	–	19,678	–	(19,678)	–	–	–	–
Reclassification of statutory surplus funds upon dissolution of a subsidiary	–	–	–	–	–	(1)	–	1	–	–	–	–
At 31 December 2012	747	566,403	28,994	13,101	161	112,150	(9,117)	357,924	–	1,070,363	4,340	1,074,703

* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(341,933)	403,580
Adjustments for:		
Finance costs	12,136	3,130
Interest income	(1,992)	(2,067)
Depreciation	58,709	28,677
Loss/(gain) on disposals of property, plant and equipment	125	(11)
Amortisation of prepaid land lease payments	858	339
Amortisation of intangible assets	1,211	1,125
Release of deferred income	(360)	(360)
Loss on dissolution of a subsidiary	6,079	–
Impairment of property, plant and equipment	198,602	–
Impairment of prepaid land lease payments	8,896	–
Impairment of deposits paid for acquisition of for property, plant and equipment	169,552	–
Impairment of trade receivables	63,039	–
Impairment of advances to suppliers	82,387	–
Dividend income from available-for-sale investment	(60)	(4)
Operating profit before working capital changes	257,249	434,409
Change in inventories	(10,462)	(51,619)
Change in trade and bills receivables	(126,159)	(98,844)
Change in prepayments, deposits and other receivables	(92,852)	(78,764)
Change in trade and bills payables	146,096	24,317
Change in other payables and accruals	29,612	25,565
Change in amount due to a related party	6	39
Cash generated from operations	203,490	255,103
Income tax paid	(42,515)	(49,415)
Net cash generated from operating activities	160,975	205,688
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(460,573)	(274,798)
Additions of prepaid land lease payments	(13,722)	(25,695)
Proceeds from disposals of property, plant and equipment	1,684	1,608
Net cash outflow on dissolution of a subsidiary	(3)	–
Increase in pledged deposits	(44,546)	(3,847)
Interest received	1,992	2,067
Dividend received	60	4
Net cash flows used in investing activities	(515,108)	(302,489)

	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings	339,876	94,766
Repayment of bank borrowings	(105,166)	(20,000)
Contribution by a non-controlling shareholder	–	5,000
Interest paid	(13,741)	(3,130)
Dividends paid	(28,565)	(69,870)
Net cash flows generated from financing activities	192,404	6,766
NET DECREASE IN CASH AND CASH EQUIVALENTS	(161,729)	(90,035)
Cash and cash equivalents at beginning of year	242,070	333,857
Effect on exchange rate changes, net	(225)	(1,752)
Cash and cash equivalents at end of year	80,116	242,070
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	77,622	231,295
Non-pledged time deposits with original maturity of less than three months when acquired	2,494	10,775
	80,116	242,070

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 Entitles: 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.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards *(continued)*

(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. Significant Accounting Policies

These financial statements have been prepared under the historical cost convention. They are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of these consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the Directors to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to these consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

4. Significant Accounting Policies *(continued)*

Consolidation *(continued)*

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated exchange fluctuation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi, which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. Significant Accounting Policies *(continued)*

Foreign currency translation *(continued)*

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the exchange fluctuation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange fluctuation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	4.5%
Plant and machinery	9% to 18%
Leasehold improvements	30%
Office equipment	18%
Motor vehicles	18%

4. Significant Accounting Policies *(continued)*

Property, plant and equipment *(continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. The residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of five years.

Patent

Purchased patent is stated at cost less any impairment loss and amortised on the straight-line basis over its estimated useful life of five years.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's new product development is recognised only if all of the following conditions are met:

– An asset is created that can be identified (such as software and new processes);

– It is probable that the asset created will generate future economic benefits; and

– The development cost of the asset can be measured reliably.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

4. Significant Accounting Policies *(continued)*

Operating leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

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

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

4. Significant Accounting Policies *(continued)*

Available-for-sale financial assets *(continued)*

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

Impairment losses on unquoted equity instruments that are not carried at fair value because their fair values cannot be reliably measured, or on derivative assets that are linked to and must be settled by delivery of such unquoted equity instruments are not reversed.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount of the receivables and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the recoverable amount of the receivables can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4. Significant Accounting Policies *(continued)*

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(a) Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(b) Rental income is recognised on a straight-line basis over the lease term.

(c) Interest income is recognised on a time-proportion basis using the effective interest method.

(d) Dividend income is recognised when the shareholders' right to receive payment has been established.

Share-based payments transactions

The Group issues equity-settled share-based payments to eligible participants who contribute to the success of the Group's operations. Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

4. Significant Accounting Policies *(continued)*

Employee benefits *(continued)*

Pension schemes *(continued)*

The employees of the Group's subsidiaries which operate in Mainland China (the "PRC") are required to participate in a central pension scheme operated by the local municipal governments. Contributions are made by the subsidiaries based on a percentage of the participating employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

4. Significant Accounting Policies *(continued)*

Taxation *(continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. Significant Accounting Policies *(continued)*

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business in different geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except investments, deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

4. Significant Accounting Policies *(continued)*

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company' s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. Critical Judgment and Key Estimates

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

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. Details are explained in note 2 to financial statements.

Key sources of estimation uncertainty

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

(a) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

5. Critical Judgment and Key Estimates *(continued)*

Key sources of estimation uncertainty *(continued)*

(b) Impairment of inventories

The Group determines the impairment for obsolescence of inventories with reference to aged inventory analyses and projections of expected future saleability of goods. Based on this review, impairment of inventories will be made when the carrying amounts of inventories are higher than their estimated net realisable values. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

(c) Useful lives of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) Impairment of property, plant and equipment and prepaid land lease payment

The Group appointed an independent professional valuer to assess the fair values of property, plant and equipment and prepaid land lease payment. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Based on this valuation, impairment of property, plant and equipment and prepaid land lease payment has been made since the carrying amounts of certain property, plant and equipment and prepaid land lease payment are higher than their fair values.

6. Financial Risk Management

The Group's principal financial instruments comprise interest-bearing bank loans, and cash and cash equivalents. The main purpose of these financial instruments is to raise funding for the Group's operations. The Group has various other financial assets and liabilities, such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board reviews and agrees on policies for managing each of these risks and they are summarised below:

Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and United States dollars. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider appropriate hedging measures in the future should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and Hong Kong dollar exchange rates, with all other variables held constant, of the Group's loss after tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in loss after tax RMB'000
2012		
If RMB weakens against the United States dollar	5	1,048
If RMB strengthens against the United States dollar	(5)	(1,048)
If RMB weakens against the Hong Kong dollar	5	(1,740)
If RMB strengthens against the Hong Kong dollar	(5)	1,740
2011		
If RMB weakens against the United States dollar	5	1,682
If RMB strengthens against the United States dollar	(5)	(1,682)
If RMB weakens against the Hong Kong dollar	5	482
If RMB strengthens against the Hong Kong dollar	(5)	(482)

6. Financial Risk Management *(continued)*

Interest rate risk

The Group's exposure to interest-rate risk arises primarily from its interest-bearing bank borrowings. These borrowings bear interests at variable rates varied with the then prevailing market condition. The Group does not use derivative financial instruments to hedge its interest rate risk.

At 31 December 2012, if interest rates at that date had been 10 basis points lower with all other variables held constant, consolidated loss after tax for the year would have been RMB51,000 higher, arising mainly as a result of lower interest expense on bank borrowings. If interest rates had been 10 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been RMB51,000 lower, arising mainly as a result of higher interest expense on bank borrowings (2011: Management does not anticipate any significant impact resulting from the changes in interest rates because all of the Group's borrowings as at 31 December 2011 were at fixed interest rates).

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and the Group's credit risk is primarily attributable to the trade and other receivables and deposits with financial institutions. The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(i) Trade and other receivables

The Group has established a credit policy under which credit evaluations are performed on all customers requiring credit. Trade receivables are due within 3 months from the date of billing. Debtors with balances that are more than 3 months are requested to settle all outstanding balance before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At 31 December 2012, the Group has certain concentration of credit risk of approximately RMB46,517,000 and approximately RMB78,601,000 out of the total trade receivables of approximately RMB300,667,000, which was arising from the Group's largest debtor and the two largest debtors respectively. At 31 December 2011, there are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables were widely dispersed.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 25.

(ii) Deposits with financial institutions

The Group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

As at 31 December 2012, the Group has no concentration of credit risk (2011: Nil) of total cash and cash equivalents.

6. Financial Risk Management *(continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings to meet its working capital requirements.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payment, was as follows:

At 31 December 2012

	Within one year or on demand RMB'000	In the second year RMB'000	In the third to fifth years, inclusive RMB'000	Beyond five years RMB'000	Total RMB'000
Trade and bills payables	250,731	–	–	–	250,731
Other payables and accruals	68,169	–	–	–	68,169
Principal portion of bank borrowings	224,476	20,000	80,000	–	324,476
Interest portion of bank borrowings	15,394	6,530	10,531	–	32,455
Due to a related party	125	–	–	–	125
	558,895	26,530	90,531	–	675,956

At 31 December 2011

	Within one year or on demand RMB'000	In the second year RMB'000	In the third to fifth years, inclusive RMB'000	Beyond five years RMB'000	Total RMB'000
Trade and bills payables	104,635	–	–	–	104,635
Other payables and accruals	38,557	–	–	–	38,557
Principal portion of bank borrowings	89,766	–	–	–	89,766
Interest portion of bank borrowings	2,835	–	–	–	2,835
Due to a related party	119	–	–	–	119
	235,912	–	–	–	235,912

6. Financial Risk Management *(continued)*

Categories of financial instruments

	2012 RMB'000	2011 RMB'000
Financial assets:		
Available-for-sale financial assets	4,140	4,140
Loans and receivables:		
Trade and bills receivables	305,767	245,962
Financial assets included in prepayments, deposits and other receivables	108,375	115,984
Pledged deposits	70,502	25,956
Cash and cash equivalents	80,116	242,070
	568,900	634,112
Financial liabilities:		
Financial liabilities at amortised cost:		
Trade and bills payables	250,731	104,635
Financial liabilities included in other payables and accruals	68,169	61,914
Borrowings	324,476	89,766
Due to a related party	125	119
	643,501	256,434

Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. 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

7. Segment Information *(continued)*

Geographical information *(continued)*

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).

8. 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

9. 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.

10. 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)

11. 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

12. (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

* Cost of inventories sold includes approximately RMB89,767,000 (2011: RMB71,909,000) relating to staff costs, depreciation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

13. 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.

In accordance with the Corporate Tax Law of the PRC, the profits of the following PRC subsidiaries are subject to the following tax rates:

	Notes	2012	2011
Xiamen Grandsoo Industrial & Trade Co., Ltd.# (廈門浩源工貿有限公司) ("Xiamen Grandsoo")	(a)	12.5%	12.5%
Fujian Sijia Industrial Material Co., Ltd.# (福建思嘉環保材料科技有限公司)	(b)	15%	15%

\# The english names are literally translated and are for identification only

Notes:

(a) Xiamen Grandsoo was registered as a foreign-invested enterprise on 26 May 2006. Pursuant to the approval of the tax bureau, Xiamen Grandsoo is exempted from corporate income tax for its first two profit-making years (after deducting losses incurred in previous years) and is entitled to a 50% tax reduction for the succeeding three years. In accordance with the PRC Corporate Income Tax Law which has been effective on 1 January 2008 (the "New Corporate Income Tax Law"), a company is still able to enjoy the above mentioned tax holiday within a five-year transitional period from 1 January 2008. A company would be deemed to trigger the tax holiday from 1 January 2008 if it has not yet started to enjoy tax holiday at that time. Though Xiamen Grandsoo only has taxable profit in 2011, its tax holiday was deemed to have started in 2008. Therefore, Xiamen Grandsoo is entitled to a 50% tax reduction (12.5%) for the year (2011: 12.5%).

(b) 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 year (2011: 15%) according to the New Corporate Income Tax Law.

(c) Other subsidiaries are subject to a corporate income tax rate of 25% during the year according to the New Corporate Income Tax Law (2011: 25%).

13. Income Tax (Credit)/Expense *(continued)*

The reconciliation between the income tax expense and the loss before tax is as follows:

	2012 RMB'000	2011 RMB'000
Loss before tax	(341,933)	403,580
Tax at the applicable tax rate of 25% (2011: 25%)	(85,483)	100,895
Lower tax rate for specific province or enacted by local authority	31,632	(40,320)
Effect of income not taxable and expenses not deductible	61,704	7,316
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	–	8,026
Effect on opening deferred tax of increase in rates	–	(294)
Tax effect of temporary differences not recognised	2,879	–
Tax effect of tax losses not recognised	2,053	785
Tax effect of utilisation of tax losses not previously recognised	(57)	(618)
	12,728	75,790

14. Directors' and Senior Management's Emoluments

The emoluments of each Director and senior management were as follows:

	For the year ended 31 December 2012				
	Fees RMB'000	Salaries, allowances and benefits in-kind RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total remuneration RMB'000
Executive directors					
Mr. Lin	489	223	–	12	724
Mr. Zhang Hongwang	391	172	–	12	575
Mr. Huang Wanneng	293	169	–	12	474
	1,173	564	–	36	1,773
Independent non-executive directors					
Mr. Chong Chi Wah	978	–	–	–	978
Mr. Wu Jianhua	–	61	–	–	61
Mr. Cai Weican	–	131	–	–	131
	978	192	–	–	1,170
Subtotal for Directors' emoluments	2,151	756	–	36	2,943
Senior management	–	1,121	–	49	1,170
Total	2,151	1,877	–	85	4,113

14. Directors' and Senior Management's Emoluments *(continued)*

	For the year ended 31 December 2011				
	Fees RMB'000	Salaries, allowances and benefits in-kind RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total remuneration RMB'000
Executive directors					
Mr. Lin	–	744	–	13	757
Mr. Zhang Hongwang	–	421	–	13	434
Mr. Huang Wanneng	–	308	–	13	321
	–	1,473	–	39	1,512
Independent non-executive directors					
Mr. Chong Chi Wah	131	–	–	–	131
Mr. Wu Jianhua	131	–	–	–	131
Mr. Cai Weican	61	–	–	–	61
Mr. Chan Tsz Fu, Jacky (note (a))	52	–	–	–	52
Mr. Choi Tze Kit, Sammy (note (b))	30	–	–	–	30
	405	–	–	–	405
Subtotal for Directors' emoluments	405	1,473	–	39	1,917
Senior management	–	698	–	10	708
Total	405	2,171	–	49	2,625

Notes:

(a) Resigned with effect from 13 April 2011

(b) Resigned with effect from 28 February 2011

15. Individuals with Highest Emoluments

The five highest paid individuals in the Group during the year included 4 (2011: 4) directors, details of whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 1 (2011: 1) highest paid individual are set out as below:-

	2012 RMB'000	2011 RMB'000
Salaries, allowances and benefits in kind	684	698
Share-based payments	–	–
Retirement benefit scheme contributions	12	10
	696	708

The emoluments of the 1 individuals (2011: 1) fall within the following band:

	Number of individuals	
	2012 RMB'000	2011 RMB'000
Nil - RMB1,000,000	1	1

During the years ended 31 December 2012 and 2011, no emoluments were paid or payable to the five highest paid individuals (including Directors and other employees) as an inducement to join the Group or as a compensation for loss of office.

16. (Loss)/Profit for the year Attributable to owners of the Company

The consolidated (loss)/profit for the year attributable to owners of the Company includes a loss of approximately RMB10,512,000 (2011: approximately RMB6,220,000) which has been dealt with in the financial statements of the Company.

17. Dividend

	2012 RMB'000	2011 RMB'000
Proposed final – Nil (2011: HK10.0 cents (approximately RMB8.1 cents) per ordinary share)	–	67,409

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2012.

18. (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.

19. Property, Plant and Equipment

	Buildings RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2011	28,138	224,207	4,502	2,097	4,648	150,891	414,483
Additions	236	39,887	222	1,498	1,165	387,450	430,458
Disposals	–	(2,083)	(300)	(25)	(71)	–	(2,479)
Transfers	99,365	211,210	–	28	–	(310,603)	–
At 31 December 2011 and 1 January 2012	127,739	473,221	4,424	3,598	5,742	227,738	842,462
Additions	5,171	76,810	–	1,509	960	288,625	373,075
Disposals	(1,009)	(1,174)	(676)	(7)	(174)	–	(3,040)
Dissolution of a subsidiary	–	(851)	–	(53)	(196)	(1,900)	(3,000)
Transfers	190,985	427	–	29	–	(191,441)	–
At 31 December 2012	322,886	548,433	3,748	5,076	6,332	323,022	1,209,497
Accumulated depreciation and impairment							
At 1 January 2011	5,446	29,655	1,294	480	1,403	–	38,278
Charge for the year	1,301	24,774	1,483	440	679	–	28,677
Disposals	–	(495)	(300)	(23)	(64)	–	(882)
At 31 December 2011 and 1 January 2012	6,747	53,934	2,477	897	2,018	–	66,073
Charge for the year	10,119	46,451	540	677	922	–	58,709
Disposals	(214)	(685)	(225)	(6)	(101)	–	(1,231)
Dissolution of a subsidiary	–	(166)	–	(20)	(55)	–	(241)
Impairment	–	164,562	–	496	465	33,079	198,602
At 31 December 2012	16,652	264,096	2,792	2,044	3,249	33,079	321,912
Carrying amount							
At 31 December 2012	306,234	284,337	956	3,032	3,083	289,943	887,585
At 31 December 2011	120,992	419,287	1,947	2,701	3,724	227,738	776,389

19. Property, Plant and Equipment *(continued)*

At 31 December 2012, certain of the Group's buildings and plant and machinery with an aggregate net carrying amount of approximately RMB235,281,000 (2011: RMB10,681,000), were pledged to secure bank loan facilities granted to the Group (note 30).

At 31 December 2012, certificates of ownership in respect of certain buildings of the Group in the PRC with an aggregate net carrying amount of approximately RMB280,844,000 (2011: RMB101,472,000), had not been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates of ownership.

The Group carried out reviews of the recoverable amount of its plant and machinery in 2012, having regard to its ongoing growth, the change of product mix and the market conditions of the Group's products. The reviews led to the recognition of an impairment loss of approximately RMB198,602,000 (2011: Nil), that has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their fair value less costs of disposal measured by reference to market evidence of recent transactions for similar plant and machinery (level 2 fair value measurement) by Ascent Partners Valuation Service Limited ("Ascent Partners"), an independent firm of chartered surveyors.

20. Prepaid Land Lease Payments

	2012 RMB'000	2011 RMB'000
Carrying amount at 1 January	31,304	5,401
Additions	13,722	26,242
Amortisation during the year	(858)	(339)
Impairment	(8,896)	–
Carrying amount at 31 December	35,272	31,304
Current portion included in prepayments, deposits and other receivables	(763)	(643)
Non-current portion	34,509	30,661

The Group's leasehold lands are held under long term leases and are situated in the PRC.

At 31 December 2012, certain of the Group's leasehold lands with an aggregate carrying amount of approximately RMB16,726,000 (2011: RMB4,378,000) were pledged to secure bank loan facilities granted to the Group (note 30).

Prepaid land lease payment was impaired by approximately RMB8,896,000 (2011: Nil) at 31 December 2012 on the open market value basis of their fair value less costs of disposal by reference to market evidence of recent transactions for the surrounding lands (level 2 fair value measurement) by Ascent Partners.

21. Intangible Assets

	Software RMB'000	Patent RMB'000	Total RMB'000
Cost			
At 1 January 2011	5,609	50	5,659
Additions	1,828	–	1,828
At 31 December 2011, 1 January 2012 and 31 December 2012	7,437	50	7,487
Accumulated amortisation			
At 1 January 2011	579	22	601
Charge for the year	1,115	10	1,125
At 31 December 2011 and 1 January 2012	1,694	32	1,726
Charge for the year	1,201	10	1,211
At 31 December 2012	2,895	42	2,937
Carrying amount			
At 31 December 2012	4,542	8	4,550
At 31 December 2011	5,743	18	5,761

22. Available-for-sale Investment

	2012 RMB'000	2011 RMB'000
Unlisted equity investment, at cost – the PRC	4,140	4,140

At 31 December 2012, the unlisted equity investment with a carrying amount of RMB4,140,000 (2011: RMB4,140,000) was stated at cost less impairment because it does not have a quoted market price in an active market and their fair values cannot be measured reliably. The Group does not intend to dispose of it in the near future.

23. Deferred Tax

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax assets	Unrealised profit attributable to intra-group transactions RMB'000	Deferred income RMB'000	Accrued social fund RMB'000	Accrued sales rebate RMB'000	Unapproved accelerated depreciation and amortisation and impairment RMB'000	Total RMB'000
At 1 January 2011	251	536	–	–	–	787
Deferred tax credited/(charged) to the consolidated profit or loss during the year (note 13)	278	(55)	775	1,500	469	2,967
At 31 December 2011 and 1 January 2012	529	481	775	1,500	469	3,754
Deferred tax (charged)/credited to the consolidated profit or loss during the year (note 13)	(78)	(55)	–	–	30,710	30,577
At 31 December 2012	451	426	775	1,500	31,179	34,331

Deferred tax liabilities	Group withholding tax on subsidiaries' distributable profits RMB'000
At 1 January 2011	6,267
Charge for the year	8,026
At 31 December 2011 and 31 December 2012	14,293

23. Deferred Tax *(continued)*

Deferred tax assets have not been recognised in respect of the following items:

	2012 RMB'000	2011 RMB'000
Tax losses	8,211	3,049

The Group also has tax losses arising in Mainland China of approximately RMB8,211,000 (2011: approximately RMB3,049,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the corporate income tax law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprise established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax arrangement between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% so long as HK Sijia is the beneficial owner. The Group is therefore liable for withholding taxes on dividend distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008. The Group recognised deferred tax liabilities in respect of accumulated distributable earnings from its subsidiaries established in the PRC since 1 January 2008 to the extent of the earnings expected to be distributed as of 31 December 2011. However, deferred taxation has not been recognised in respect of the temporary differences attributable to the undistributable retained profits earned by the subsidiaries in the PRC amounting to approximately RMB172,328,000 starting from 1 January 2012 as the Directors are of the opinion that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

24. Inventories

	2012 RMB'000	2011 RMB'000
Raw materials	67,107	70,247
Work in progress	10,000	7,429
Finished goods	40,344	29,313
	117,451	106,989

25. 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 and bills 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).

The aging analysis of trade and bills receivables as at the end of the reporting period that are past due but neither individually nor collectively considered to be impaired are as follow:

	2012 RMB'000	2011 RMB'000
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	–
	95,857	25,924

25. Trade and Bills Receivables *(continued)*

Receivables that were past due but not impaired relate to a number of independent customers for whom there was no recent history of default.

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	2012 RMB'000	2011 RMB'000
RMB	268,299	215,547
US dollars	37,468	30,415
	305,767	245,962

26. Prepayments, Deposits and Other Receivables

	2012 RMB'000	2011 RMB'000
Advances to suppliers (note)	95,826	74,632
Prepaid sales tax and government surcharges	15,481	20,056
Prepaid expense	1,478	2,002
Other receivables	13,782	19,294
	126,567	115,984

Note: The advance is paid to suppliers to secure the supply of raw materials as at the end of the reporting period.

27. Cash and Cash Equivalents and Pledged Deposits

	2012 RMB'000	2011 RMB'000
Cash and bank balances	148,124	231,295
Time deposits	2,494	36,731
	150,618	268,026
Less: Pledged deposits	(70,502)	(25,956)
Cash and cash equivalents	80,116	242,070

Cash and cash equivalents and pledged deposits denominated in:

	2012 RMB'000	2011 RMB'000
RMB	146,788	259,058
HK dollars	1,672	8,594
US dollars	2,158	374
	150,618	268,026

27. Cash and Cash Equivalents and Pledged Deposits *(continued)*

At the end of the reporting period, the Group's cash and bank balances denominated in RMB were approximately RMB146,788,000 (2011: approximately RMB222,631,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interests at floating rates based on daily bank deposit rates. Time deposits are made for varying periods between three and six months and earn interest at the respective deposit rates. Certain deposits are pledged for bills payables which is due within six months. Therefore, pledged deposits are classified as current assets. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

As at 31 December 2012, deposits of RMB70,542,000 (2011: RMB25,956,000) were pledged to secure the banking facilities granted to the Group.

28. 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

29. Other Payables and Accruals

	2012 RMB'000	2011 RMB'000
Advances from customers	29,237	13,234
Accrued liabilities	26,478	11,495
Payroll payables	10,442	9,792
Other payables	2,012	4,036
	68,169	38,557

30. Interest-Bearing Bank Borrowings

	2012			2011		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Bank loans – Unsecured	6.0%–8.1%	2013	67,000	7.54%	2012	19,000
Bank loans – Secured	2.95%–7.82%	2013–2017	257,476	3.392%–7.544%	2012	70,766
			324,476			89,766
Repayable:						
Within one year or on demand			224,476			89,766
In the second year			20,000			–
In the third to fifth years, inclusive			80,000			–
			324,476			89,766

Notes:

(i) The Group's bank borrowings are secured by:

(a) mortgages over the Group's buildings and plant and machinery situated in the PRC, which had an aggregate carrying value at the end of the reporting period of approximately RMB235,281,000 (2011: approximately RMB10,681,000); and

(b) mortgages over the Group's leasehold land situated in Mainland China, which has an aggregate carrying value at the end of the reporting period of approximately RMB16,726,000 (2011: approximately RMB4,378,000).

31. Deferred Income

	2012 RMB'000	2011 RMB'000
Government grants		
As at 1 January	3,210	3,570
Released during the year	(360)	(360)
As at 31 December	2,850	3,210
Current	360	360
Non-current	2,490	2,850
	2,850	3,210

Government grants received are for the technical development of machinery and equipment. The government grants received are accounted for as deferred income and are released to profit or loss over the expected useful lives of the underlying items of machinery and equipment. There are no unfulfilled conditions or contingencies relating to these grants.

32. 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) 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.

33. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include executive directors, non-executive directors, including independent non-executive directors, employees, consultants, advisers, customers and any shareholder of any member of the Group. The Scheme became effective on 8 April 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all outstanding options to be granted under the Scheme and any other share option scheme of the Group is an amount equivalent, upon their exercise, to 10% of the shares in issue at the time dealings in the shares first commenced on the Stock Exchange. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

33. Share Option Scheme *(continued)*

The following share options were outstanding under the Scheme during the year:

	Weighted average exercise price HK$ per share	Number of options '000
At 1 January 2011, 31 December 2011 and 31 December 2012	3.44	50,000

No share options were exercised during the year. (2011: Nil)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

Number of options '000	Exercise price HK$ per share*	Exercise period
14,000	3.3	22 July 2010 to 21 July 2015
36,000	3.5	30 September 2010 to 29 September 2015
50,000		

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

At the end of the reporting period, the Company had 50,000,000 (2011: 50,000,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 50,000,000 additional ordinary shares of the Company and additional share capital of HK$50,000 and share premium of HK$172,150,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 50,000,000 share options outstanding under the Scheme, which represented approximately 5.86% of the Company's shares in issue as at that date.

34. Reserves

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

Nature and purpose of reserves of the Group

Statutory surplus reserve

As stipulated by the relevant law and regulations for foreign investment enterprises in the PRC, the Company's PRC subsidiaries are required to maintain a statutory surplus reserve which is non-distributable. Appropriation to such reserve is made out of net profit after tax expenses as shown in the statutory financial statements of the relevant PRC subsidiaries and after making up prior year cumulative losses. The amounts and allocation basis are decided by the board of directors of the respective subsidiaries annually. The statutory surplus reserve can be applied in conversion into issued capital by means of capitalisation issue.

Exchange fluctuation reserve

The exchange fluctuation reserve comprise all foreign exchange differences arising from the translation of the financial statement of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4.

(b) Company

	Share premium RMB'000	Share option reserve RMB'000	Warrant reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2011	905,741	13,101	161	(20,176)	(25,232)	69,870	943,465
Total comprehensive income/ (expenses) for the year	–	–	–	(24,746)	(6,220)	–	(30,966)
Final 2010 dividend paid	–	–	–	–	–	(69,870)	(69,870)
Proposed final 2011 dividend	(67,409)	–	–	–	–	67,409	–
At 31 December 2011	838,332	13,101	161	(44,922)	(31,452)	67,409	842,629
Total comprehensive income/ (expenses) for the year	–	–	–	2,490	(10,512)	–	(8,022)
Final 2010 dividend paid	–	–	–	–	–	(28,565)	(28,565)
Allotment and issue of new shares in respect of scrip dividend scheme	38,825	–	–	–	–	(38,844)	(19)
At 31 December 2012	877,157	13,101	161	(42,432)	(41,964)	–	806,023

35. Commitments

(a) Commitments under operating leases

As lessee

The Group leases certain of its office properties and staff accommodations under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At the end of the reporting period, the Group had the total future minimum lease payments under noncancellable operating leases in respect of land and buildings as follows:

	2012 RMB'000	2011 RMB'000
Within one year	821	2,698
In the second to fifth years, inclusive	356	2,912
	1,177	5,610

(b) Capital commitments

In addition to the operating lease commitments, the Group had the following capital commitments at the end of the reporting period:

	2012 RMB'000	2011 RMB'000
Property, plant and equipment		
Contracted, but not provided for	152,051	87,705
Authorised, but not contracted for	–	4,565
	152,051	92,270

36. Contingent Liabilities

As at 31 December 2012, the Group did not have any significant contingent liabilities (2011: Nil).

37. Pledge of Assets

Details of the Group's interest-bearing bank borrowings and bills payable which are secured by the assets of the Group are included in notes 19, 20 and 27 to these financial statements.

38. Related Party Transactions

(a) Related parties of the Group

The directors of the Company consider that the following entity is related party of the Group:

Name of related party	Relationship with the Group
Xiamen Daxiang Protective Sheet Co., Ltd. ("Xiamen Daxiang")	Controlled by family member of the ultimate shareholder

(b) Related parties transactions

A director has guaranteed bank loans made to the Group totally RMB5,000,000 at 31 December 2012 (2011: Nil).

(c) Outstanding balances with a related party:

	2012 RMB'000	2011 RMB'000
Due to a related party		
Xiamen Daxiang	125	119

The above balances are unsecured, non-interest-bearing and have no fixed terms of repayment.

(d) Key management compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 14 and all of the highest paid employees as disclosed in note 15, is as follows:

	2012 RMB'000	2011 RMB'000
Short-term employee benefits	4,028	3,414
Post-employment benefits	85	95
	4,113	3,509

39. Particulars of the Subsidiaries of the Company

Particulars of the Company's subsidiaries as at 31 December 2012 were as follows:

Company name	Place and of incorporation/ registration	Nominal value of issued and paid-up share/registered paid-up share capital	Percentage of equity interests attributable to the Company	Principal activities
Directly held:				
China Grandsoo Holdings Company Limited	British Virgin Islands	US$3	100%	Investment holding
Indirectly held:				
Sijia International Holding Limited	Hong Kong	HK$10,000	100%	Investment holding
Xiamen Grandsoo (Note i)	PRC	HK$300,000,000	100%	Manufacturing and selling end products
Fujian Sijia Industrial Material Co., Ltd.# (福建思嘉環保材料科技有限公司) (Note ii)	PRC	HK$390,000,000	100%	Manufacturing and selling materials and end products
Hubei Sijia Industrial Material Co., Ltd.# (湖北思嘉環保材料科技有限公司) (Note ii)	PRC	HK$31,150,000	100%	Manufacturing and selling special functional composites
Sijia New Material (Shanghai) Co., Ltd.# (思嘉環保材料科技(上海)有限公司) (Note i)	PRC	HK$100,000,000	100%	Manufacturing and selling special functional composites
Fujian Hausa Import and Export Co., Ltd.# (福建浩思進出口貿易有限公司) (Note (iii))	PRC	RMB20,000,000	100%	Exporting products and trade agent
Hubei Sijia Outdoor Products Co., Ltd.# ("Hubei Sijia Outdoor") (湖北思嘉戶外用品有限公司) (Note ii)	PRC	HK$22,120,000/ HK$30,600,000	51%	Manufacturing and selling outdoor leisure, recreation and sports products

The english names are literally translated and are for identification only.

Note:

(i) The subsidiary is a wholly foreign-owned enterprise incorporated in the PRC.

(ii) The subsidiary is a non-wholly foreign-owned enterprise incorporated in the PRC.

(iii) The subsidiary is a wholly owned domestic limited company incorporated in the PRC.

39. Particulars of the Subsidiaries of the Company *(continued)*

The following table shows information of subsidiary that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Hubei Sijia Outdoor 2012	Hubei Sijia Outdoor 2011
Principal place of business and country of incorporation	PRC	PRC
% of ownership interests and voting rights held by NCI	49%	49%
	RMB'000	**RMB'000**
At 31 December:		
Non-current assets	24,105	1,502
Current assets	18,698	14,594
Current liabilities	(20,954)	(6,937)
Net assets	21,849	9,159
Accumulated NCI	4,340	4,513
Year ended 31 December:		
Revenue	53,589	28,113
Loss for the year	(352)	(993)
Total comprehensive loss	(352)	(993)
Loss allocated to NCI	(173)	(487)
Dividends paid to NCI	–	–
Net cash generated from/(used in) operating activities	1,725	(1,997)
Net cash used in investing activities	(25,073)	(1,563)
Net cash generated from financing activities	17,620	10,825
Net (decrease)/increase in cash and cash equivalents	(5,728)	7,265

As at 31 December 2012, the bank and cash balances of this subsidiary in the PRC denominated in Renminbi ("RMB") amounted to approximately RMB1,537,000 (2011: approximately RMB7,265,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

40. Statement of Financial Position of the Company as at 31 December

	2012 RMB'000	2011 RMB'000
Non-current assets		
Investments in subsidiaries	351,000	351,000
	351,000	351,000
Current assets		
Due from a subsidiary	497,101	488,324
Prepayments, deposits and other receivables	218	132
Cash and cash equivalents	1,165	4,008
	498,484	492,464
Current liabilities		
Other payables and accruals	6,238	107
Interest-bearing bank borrowings	36,476	–
	42,714	107
Net current assets	455,770	492,357
Total assets less current liabilities	806,770	843,357
NET ASSETS	806,770	843,357
Capital and reserves		
Issued capital	747	728
Reserves	806,023	842,629
TOTAL EQUITY	806,770	843,357

41. Approval of Financial Statements

These financial statements were approved and authorised for issue by the Board of Directors on 28 May 2014.

Five-year Financial Summary

	Year ended 31 December				
	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
REVENUE	1,035,130	1,197,085	965,338	570,492	299,644
Gross profit	292,197	506,121	437,246	258,868	119,164
PROFIT (LOSS) BEFORE TAX	(341,933)	403,580	264,657	204,558	94,760
PROFIT (LOSS) FOR THE YEAR	(354,661)	327,790	217,246	171,212	81,177
Attributable to:					
Owners of the parent	(354,488)	328,277	217,246	171,212	61,266
Non-controlling interests	(173)	(487)	–	–	19,911
	(354,661)	327,790	217,246	171,212	81,177
Basic (loss) earnings per share (RMB cents)	(42.31)	39.61	28.86	28.54	10.21

	As at 31 December				
	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Total assets	1,759,134	1,731,731	1,316,894	469,860	269,043
Equity and liabilities					
Total liabilities	684,431	273,577	119,908	118,860	125,147
Total equity	1,074,703	1,458,154	1,196,986	351,000	143,896