



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

2014
Interim Report

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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
PO 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

Corporate Website

<http://www.sijia.hk>

Investor Relations Contact

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

Management Discussion and Analysis

Business Review

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

The Group's reinforced materials (the "Reinforced Materials") business, located in Fuzhou and Shanghai, utilises self-developed facilities and techniques, which has acquired national patents on innovation, to produce new materials, including architectural membrane, waterproofing membrane, thermoplastic polyurethane ("TPU") materials, air tightness materials, inflatable materials, biogas tank materials, tarpaulin materials, wader and protective garment materials, etc. Such materials exhibit nine characteristics, including high tensile strength, anti-tearing, anti-stripping, flame retardancy, anti-bacteria, anti-corrosive, durable, low temperature resistance and sunlight resistance. Meanwhile, the Group has also expanded into downstream end products (the "End Products") business, with factories located in Xiamen, 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 eleven major markets including outdoor, sports, renewable energy, protection, construction, logistic, packaging, medical use, safety, advertising and daily supplies.

Revenue for the period under review was approximately RMB357.5 million, representing a decrease of approximately RMB129.0 million, or 26.5%, compared to revenue of approximately RMB486.5 million for the same period last year. The decrease was primarily attributable to the intensifying market condition and a change in product mix to offer less End Products to the market.

For the period under review, the Group's products can be categorised into three types: (i) Reinforced Materials; (ii) conventional materials ("Conventional Materials"); and (iii) End Products. The Group generated most of its revenue from the Reinforced Materials which accounted for approximately 50.0% (30 June 2013: approximately 43.8%) of the total revenue. Local sales continued to be the Group's major source of revenue, representing approximately 65.6% (30 June 2013: approximately 73.1%) of the total revenue while export sales only accounted for approximately 34.4% (30 June 2013: approximately 26.9%) of the total revenue.

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

	For the six months ended 30 June			
	2014		2013	
	(RMB million)	%	(RMB million)	%
Reinforced Materials	178.7	50.0	212.9	43.8
Conventional Materials	74.8	20.9	83.9	17.2
End Products	104.0	29.1	189.7	39.0
	357.5	100.0	486.5	100.0

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

	For the six months ended 30 June	
	2014	2013
PRC	234.5	355.5
Others	123.0	131.0
	357.5	486.5

Reinforced Materials

For the period under review, in respect of the Reinforced Materials, the Group delivered the most in inflatable, air-tightness and tarpaulin materials. With the Group's 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.

As at 30 June 2014, the Group owned a total of 80 patents with 23 on innovations, 39 on new applications and 18 on exterior designs for Reinforced Materials.

For the period under review, the Group's revenue generated from Reinforced Materials amounted to approximately RMB178.7 million (30 June 2013: approximately RMB212.9 million) which accounted for approximately 50.0% (30 June 2013: approximately 43.8%) of the Group's total revenue, representing a decrease in sales of 16.1%. The decrease in revenue from Reinforced Material was mainly attributable to the reduction in sales of wader materials, as well as inflatable materials due to intensifying market competition.

Conventional Materials

For the period under review, the Group's revenue generated from the Conventional Materials amounted to approximately RMB74.8 million (30 June 2013: approximately RMB83.9 million) which accounted for approximately 20.9% (30 June 2013: approximately 17.2%) of the total revenue, representing a decrease in sales of approximately 10.8%.

End Products

For the period under review, the Group's revenue generated from the End Products amounted to approximately RMB104.0 million (30 June 2013: approximately RMB189.7 million) which accounted for approximately 29.1% (30 June 2013: approximately 39.0%) of the total revenue, representing a decrease in sales of approximately 45.2% as compared to the same period last year. As at 30 June 2014, the Group had 11 local sales offices mainly for the promotion of the End Products.

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

Financial Review

Financial Results

Revenue

The Group's revenue for the six months ended 30 June 2014 was approximately RMB357.5 million, representing a decrease of approximately RMB129.0 million, or 26.5%, compared to revenue of approximately RMB486.5 million for the same period last year. For the period under review, the Group's major sales segments, namely, (1) Reinforced Materials reported revenue of approximately RMB178.7 million (30 June 2013: approximately RMB212.9 million); (2) Conventional Materials recorded a revenue of approximately RMB74.8 million (30 June 2013: approximately RMB83.9 million); and (3) End Products recorded a revenue of approximately RMB104.0 million (30 June 2013: approximately RMB189.7 million).

Gross Profit and Gross Margin

Gross profit was approximately RMB62.8 million for the period under review (30 June 2013: approximately RMB71.3 million), with the gross profit margin of approximately 17.6% (30 June 2013: 14.7%). The increase in gross margin was mainly due to a change in product mix with more focus in delivering reinforced materials with better profit margin to the market during the period under review.

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

	2014 %	2013 %
Reinforced Materials	27.1	19.3
Conventional Materials	2.4	9.3
End Products	12.1	11.8
Overall	17.6	14.7

Selling and Distribution Costs

For the period under review, selling and distribution costs increased by approximately RMB1.3 million or 12.7% to approximately RMB11.3 million, or 3.2% of the Group's total revenue for the period under review, from approximately RMB10.0 million, or 2.1% of the Group's total revenue for the same period last year. The increase in selling and distribution costs was primarily due to the increase in transportation cost amounted to approximately RMB5.6 million as the Group started e-commerce business in the fourth quarter of 2013 pursuant to which the Group was responsible for the transportation costs of the products to the customers (30 June 2013: approximately 3.4 million) for the period under review.

Administrative Expenses

For the period under review, administrative expenses increased by approximately RMB6.5 million or 26.6% to approximately RMB30.9 million, or 8.6% of the Group's total revenue for the period under review, from approximately RMB24.4 million, or 5.0% of the Group's total revenue for last period. The increase in administrative expenses was mainly attributable to increase in R&D expenses and depreciation which amounted to approximately RMB13.8 million (30 June 2013: approximately RMB10.1 million) and RMB2.0 million (30 June 2013: approximately RMB1.0 million), respectively.

Research and Development

For the period under review, R&D costs amounted to approximately RMB13.8 million, or 3.9% of the Group's total revenue (2013: approximately RMB10.1 million, or 2.1% of the Group's total revenue). The Group believes that its on-going R&D efforts are critical in maintaining long-term competitiveness, retaining existing customers, enhancing its ability to attract new customers and developing new markets. The Group continues to dedicate resources to the R&D activities in its Fuzhou and Shanghai plants aiming to lower the cost of raw materials, streamline manufacturing processes, increase production capacities, and develop high value-added new materials.

Finance Costs

Finance costs for the period under review was approximately RMB8.6 million (30 June 2013: approximately RMB8.3 million). This equates to approximately 2.4% and approximately 1.7% of the Group's total revenue for the six months ended 2014 and 2013, respectively.

Interest Income

Interest income amounted to approximately RMB0.7 million for the period under review (30 June 2013: approximately RMB0.5 million).

Income Tax

For the period under review, the Group had an overall income tax expense of approximately RMB7.2 million, or 39.9% of pre-tax income due to under-provision in prior years of approximately RMB1.9 million, compared to the tax expense of approximately RMB2.6 million, or 8.8% of pre-tax income for the same period last year.

Net Income

The Group generated profit attributable to owners of the parent for the period under review of approximately RMB10.7 million, or RMB1.25 cents for basic earnings per share, compared to profit attributable to owners of the parent of approximately RMB27.0 million, or RMB3.16 cents for basic earnings per share for the same period last year. The weighted average number of common shares outstanding was 852,612,470 as at 30 June 2014 (30 June 2013: 852,612,470).

Dividends

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2014.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to approximately RMB1,064.7 million as at 30 June 2014 representing an increase of 1.0%, compared to approximately RMB1,053.9 million as at 31 December 2013.

Financial Position

As at 30 June 2014, the Group had total current asset of approximately RMB799.6 million and total current liabilities of approximately RMB763.3 million, with net current assets of approximately RMB36.3 million.

As at 30 June 2014, the Group's net gearing (expressed as a percentage of total interest-bearing liabilities to total assets) was at 15.4%, compared to 14.0% as at 31 December 2013.

Cash and Cash Equivalents

As at 30 June 2014, the Group had cash and cash equivalents of approximately RMB57.5 million (31 December 2013: approximately RMB48.2 million), most of which were denominated in Renminbi.

Bank Borrowings

The Group had interest-bearing bank borrowings of approximately RMB295.6 million (31 December 2013: approximately RMB266.8 million) while total banking facilities amounted to approximately RMB610.0 million (31 December 2013: approximately RMB723.4 million).

Contingent Liabilities

As at 30 June 2014, the Group did not have any significant contingent liabilities (31 December 2013: Nil).

Human Resources

As at 30 June 2014, the Group employed a total of 836 employees (31 December 2013: 1,139 employees) because the Group scaled down its End Products business which was more labour intensive during the year under review.

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

PROSPECTS

Over the past two years, the Group has experienced tough and challenging moments, and in upholding the Group's business, a series of measures were implemented to stabilise the development of its business, including repositioning of the products, focusing on the development of new materials business that is in compliance with the national policies (for new materials industry), and actively liaising with customers, in order to restore and rebuild customers' confidence as well as the Group's reputation. During the period, the Group has also committed in strengthening the internal control systems, including the establishment of a centralised supervisory division to review, amongst others, the sales and purchases procedures of each of the members of the Group, so as to regularise the management control system. In addition, relevant divisions were also set up by members of the Group to enhance system management, with an aim to further strengthen its corporate governance.

Owing to the efforts of the management team, the Group was awarded "China Well-known Trademark" (中國馳名商標) by the Trademark Office as well as the Trademark Review and Adjudication Board of the State Administration for Industry and Commerce in 2014. This is yet another national honour accredited to the Group on top of various awards, such as the "Key High-Tech Enterprise of the National Torch Program" (國家火炬計劃重點高新技術企業) and the "National Credible Enterprise" (國家守合同重信用企業). This accreditation did not only acknowledge the excellent product quality and corporate credibility of the Group, but also added to its most attractive fascia.

Looking forward, the Group intends to focus on business development upon its successful resumption of trading in the shares of the Company. This includes 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 as well as plans to increase the plant and equipment in order to achieve the economies of scale; (ii) the development of business in Fuzhou by gradually expanding and developing the production of inflated materials, materials for waterproof trousers, TPU materials, Ethylene vinyl acetate ("EVA") materials and new materials; (iii) the improvement of sales and production strategies, to cut down the number of products with high labour costs and to develop high value-added products related to labour protection; and (iv) the establishment of overseas sales offices or agents in order to attract more customers from the overseas market. With respect to the products, in spite of consolidating its strength in products such as inflatable materials, inflatable boats and materials for waterproof trousers, the Group plans to develop products with high profit margins such as materials for broaden tarpaulins and truck covers, materials for membrane structures and membrane for double membrane gas holders and etc..

Innovative technologies and competent technical team have always been the Group's core competitiveness. In addition, the Group plans to further cooperate with the domestic and overseas technical experts in order to penetrate the international market.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
TURNOVER	5	357,532	486,544
Cost of sales		(294,772)	(415,203)
GROSS PROFIT		62,760	71,341
Other income and gains	5	7,359	3,328
Selling and distribution costs		(11,286)	(10,016)
Administrative expenses		(30,918)	(24,429)
Other expenses		(1,246)	(2,425)
PROFIT FROM OPERATIONS		26,669	37,799
Finance costs	6	(8,571)	(8,319)
PROFIT BEFORE TAX	7	18,098	29,480
Income tax expense	8	(7,213)	(2,593)
PROFIT FOR THE PERIOD		10,885	26,887
Other comprehensive income/(expenses) after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of non-PRC operations		(92)	911
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		10,793	27,798
PROFIT/(EXPENSES) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		10,692	26,955
Non-controlling interests		193	(68)
		10,885	26,887
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		10,600	27,866
Non-controlling interests		193	(68)
		10,793	27,798
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RMB cents)	9		
– Basic		1.25	3.16
– Diluted		1.25	3.16

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	992,984	987,224
Prepaid land lease payments		33,061	33,527
Intangible assets		2,727	3,332
Deposits paid for acquisition of property, plant and equipment		55,487	50,075
Available-for-sale investment		4,140	4,140
Deferred tax assets		26,251	28,562
Total non-current assets		1,114,650	1,106,860
Current assets			
Inventories		188,088	128,765
Trade and bills receivables	12	267,972	330,012
Prepayments, deposits and other receivables	13	207,077	194,327
Pledged deposits		79,003	100,569
Cash and cash equivalents		57,478	48,152
Total current assets		799,618	801,825
Current liabilities			
Trade and bills payables	14	400,733	457,962
Other payables and accruals	15	120,925	98,322
Interest-bearing bank borrowings		225,557	186,786
Deferred income		360	360
Tax payable		15,748	14,923
Total current liabilities		763,323	758,353
Net current assets		36,295	43,472
Total assets less current liabilities		1,150,945	1,150,332
Non-current liabilities			
Interest-bearing bank borrowings		70,000	80,000
Deferred income		1,950	2,130
Deferred tax liabilities		14,293	14,293
Total non-current liabilities		86,243	96,423
NET ASSETS		1,064,702	1,053,909
Capital and reserves			
Equity attributable to owners of the Company			
Issued capital		747	747
Reserves		1,046,823	1,036,223
		1,047,570	1,036,970
Non-controlling interests		17,132	16,939
TOTAL EQUITY		1,064,702	1,053,909

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to owners of the Company										
	Issued capital	Capital surplus/	Capital reserve	Share	Warrant reserve	Statutory surplus funds	Exchange	Retained profits	Total	Non-controlling interests	Total equity
		Share premium		option reserve			fluctuation reserve				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2013	747	566,403	28,994	13,101	161	112,150	(9,117)	357,924	1,070,363	4,340	1,074,703
Total comprehensive income/ (expense) for the period (Unaudited)	-	-	-	-	-	-	911	26,955	27,866	(68)	27,798
Capital contribution by a non-controlling shareholder (Unaudited)	-	-	-	-	-	-	-	-	-	13,003	13,003
At 30 June 2013 (Unaudited)	747	566,403	28,994	13,101	161	112,150	(8,206)	384,879	1,098,229	17,275	1,115,504
At 1 January 2014	747	566,403	28,994	13,101	-	115,396	(7,288)	319,617	1,036,970	16,939	1,053,909
Total comprehensive (expenses)/income for the period (Unaudited)	-	-	-	-	-	-	(92)	10,692	10,600	193	10,793
Transfer from retained profits	-	-	-	-	-	2,408	-	(2,408)	-	-	-
At 30 June 2014 (Unaudited)	747	566,403	28,994	13,101	-	117,804	(7,380)	327,901	1,047,570	17,132	1,064,702

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014	2013
	(Unaudited) RMB'000	(Unaudited) RMB'000
Net cash generated from operating activities	7,753	71,377
Cash flows from investing activities		
Change in pledged deposits	21,565	(35,745)
Purchase of property, plant and equipment	(40,716)	(107,849)
Increase in deposit paid for acquisition of property, plant and equipment	(5,412)	–
Other investing cash flows	6,027	464
Net cash flows used in investing activities	(18,536)	(143,130)
Cash flows from financing activities		
New borrowings	195,344	109,563
Repayment of loans	(166,574)	(69,000)
Other financing cash flows	(8,569)	4,684
Net cash flows generated from financing activities	20,201	45,247
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	9,418	(26,506)
Cash and cash equivalents at beginning of period	48,152	80,116
Effect on exchange rate changes, net	(92)	911
Cash and cash equivalents at end of period	57,478	54,521

Notes to the Condensed Consolidated Financial Statements (Unaudited)

For the six months ended 30 June 2014

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

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

These condensed financial statements should be read in conjunction with the 2013 annual financial statements of the Company and its subsidiaries (together, the “Group”). The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements of the Group for the year ended 31 December 2013.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, 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 2014. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; 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 period and prior years.

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

Notes to the Condensed Consolidated Financial Statements (Unaudited)

For the six months ended 30 June 2014

4. SEGMENT INFORMATION

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

5. TURNOVER, OTHER INCOME AND GAINS

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

	Six month ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Turnover		
Sales of goods	357,532	486,544
Other income and gains		
Bank interest income	748	450
Government subsidies (note)	495	2,562
Gross rental income	21	50
Dividend income from available-for-sale investment	232	14
Reversal of allowance for receivables	4,509	–
Sundry income	1,354	252
	7,359	3,328

Note: Government subsidies are received and used for development of new products and implementation of environmental protection development programmes. These government subsidies are not attributable to any non-current assets and there were no specific conditions attached to the subsidies. Therefore, the Group recognised the subsidies upon receipt during the periods ended 30 June 2014 and 2013.

6. FINANCE COSTS

	Six month ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Interest on bank loans wholly repayable within five years	12,067	12,040
Less: interests capitalised	(3,496)	(3,721)
	8,571	8,319

Notes to the Condensed Consolidated Financial Statements (Unaudited)

For the six months ended 30 June 2014

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six month ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Depreciation of property, plant and equipment	29,967	31,151
Amortisation of prepaid land lease payments	407	448
Amortisation of intangible assets	605	493
Loss on disposal of property, plant and equipment	275	–

8. INCOME TAX EXPENSE

	Six month ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Current tax – the PRC		
Charge for the period	3,036	325
Under/(Over)-provision in prior years	1,866	(876)
Deferred tax	2,311	3,144
	7,213	2,593

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"), Hong Kong profits tax is subject to a rate of 16.5% for the period ended 30 June 2014 on the estimated assessable profits arising in Hong Kong during the period. No provision for income tax has been made as the Group had no assessable profit arising in Hong Kong.

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	Six month ended 30 June	
		2014	2013
Fujian Sijia Industrial Material Co., Ltd. ("Fujian Sijia")#	(a)	15%	15%

- (a) Pursuant to the approval of the tax bureau, Fujian Sijia, being a high-tech enterprise, was levied at the tax rate of 15% for the six months ended 30 June 2014 and 2013 according to the New Corporate Income Tax Law.
- (b) Other subsidiaries are subject to a corporate income tax rate of 25% for the six months ended 30 June 2014 and 2013.

The English names are for identification only

Notes to the Condensed Consolidated Financial Statements (Unaudited)

For the six months ended 30 June 2014

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six month ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	10,692	26,955
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculations	852,612,000	852,612,000

Diluted earnings per share for the periods ended 30 June 2014 and 2013 is the same as the basic earnings per share as the Company did not have any dilutive potential ordinary shares during the periods.

10. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2014 (for the six months ended 30 June 2013: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment at a total cost of RMB40,716,000 (for the six months ended 30 June 2013: RMB155,036,000).

Property, plant and equipment with a carrying amount of RMB4,989,000 (for the six months ended 30 June 2013: RMB3,130,000) were disposed by the Group during the six months ended 30 June 2013.

At 30 June 2014, certificates of ownership in respect of certain buildings of the Group in the PRC with an aggregate carrying amount of approximately RMB333,652,000 (At 31 December 2013: RMB341,880,000), had not been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates of ownership.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

For the six months ended 30 June 2014

12. TRADE AND BILLS RECEIVABLES

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Trade receivables	267,972	329,992
Bills receivable	–	20
	267,972	330,012

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

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

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Within 3 months	161,906	184,981
More than 3 months but within 6 months	36,455	45,732
More than 6 months but within 1 year	33,272	90,538
More than 1 year	36,339	8,761
	267,972	330,012

Notes to the Condensed Consolidated Financial Statements (Unaudited)

For the six months ended 30 June 2014

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Advances to suppliers (note)	175,152	140,476
Prepaid sales tax and government surcharges	18,050	23,961
Prepaid expense	2,966	2,138
Other receivables	10,909	27,752
	207,077	194,327

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

14. TRADE AND BILLS PAYABLES

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Trade payables	139,704	165,370
Bills payables	261,029	292,592
	400,733	457,962

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

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Within 3 months	213,695	256,661
More than 3 months but within 6 months	145,387	188,000
More than 6 months but within 1 year	21,592	7,448
More than 1 year	20,059	5,853
	400,733	457,962

Notes to the Condensed Consolidated Financial Statements (Unaudited)

For the six months ended 30 June 2014

15. OTHER PAYABLES AND ACCRUALS

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Advances from customers	60,088	46,028
Accrued liabilities	20,199	29,881
Payroll payables	10,779	12,401
Other payables	27,859	10,012
Amount due to management	2,000	–
	120,925	98,322

16. COMMITMENTS

Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Property, plant and equipment		
Contracted, but not provided for	74,808	79,792
Authorised, but not contracted for	–	–
	74,808	79,792

17. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2014 (At 31 December 2013: HK\$Nil).

Notes to the Condensed Consolidated Financial Statements (Unaudited)

For the six months ended 30 June 2014

18. RELATED PARTY TRANSACTIONS

(a) Related party transactions

The ultimate shareholder, a family member of the ultimate shareholder and a director has guaranteed bank loans made to the Group totally RMB118,557,000 at 30 June 2014 (31 December 2013: RMB49,777,000).

(b) Compensation of key management personnel of the Group:

	Six month ended 30 June	
	2014 (unaudited) RMB'000	2013 (unaudited) RMB'000
Short-term employee benefits	1,818	1,782
Post-employment benefits	67	43
	1,885	1,825

19. APPROVAL OF FINANCIAL STATEMENTS

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

Other Information

Results and Appropriations

The results of the Group for the six months ended 30 June 2014 are set out in the condensed consolidated statement of profit or loss and other comprehensive income on page 8.

The board of directors (the “Directors”) of the Company (the “Board”) does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (2013: Nil).

Compliance with Code on Corporate Governance Practices of the Listing Rules

The Company has adopted the principles and complied with the code provisions set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) during the six months ended 30 June 2014.

Compliance with the Model Code for Directors’ Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the standard for securities transactions by Directors. The Company has made specific enquiries to all the Directors and all the Directors have confirmed their compliance with the required standards set out in the Model Code during the six months ended 30 June 2014.

Purchase, Sale or Redemption of Listed Shares of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed shares during the six months ended 30 June 2014.

Directors’ Interests in Contracts

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 30 June 2014 or at any time during the six months ended 30 June 2014.

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

As at 30 June 2014, 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	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 Lin Shengxiong. Therefore, 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 30 June 2014, none of the Directors or chief executive 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 period 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 30 June 2013, 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
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As at 30 June 2014, all options granted had not been exercised.

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 30 June 2014, 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	511,886,000	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. Lin Hongting is the spouse of Lin Shengxiong. Therefore, Lin Hongting is deemed to be interested in the shares of the Company in which Lin Shengxiong is interested for the purposes of the SFO.
3. The entire issued share capital of Glory Bright Investments Enterprise Limited is beneficially owned by 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. Wang Huiqing is the spouse of Lin Wanpeng. Therefore, Wang Huiqing is deemed to be interested in the shares of the Company in which 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 30 June 2014.

Audit Committee

The audit committee, comprises three independent non-executive directors of the Company, has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 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.

Continued Suspension in Trading

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

By Order of the Board

Lin Shengxiong

Chairman

Hong Kong, 28 August 2014