SINO HAIJING HOLDINGS LIMITED
中國海景控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01106)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

FINAL RESULTS

The board of Directors (the "Board") of the Company herein present the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013 together with the comparative audited figures for the corresponding year in 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Turnover	*3*	**575,579**	517,842
Cost of sales		**(502,920)**	(453,639)
Gross profit		**72,659**	64,203
Other revenue and other income	*5*	**12,092**	7,612
Administrative and other operating expenses		**(90,169)**	(83,724)
Loss from operations		**(5,418)**	(11,909)
Finance costs	*6(a)*	**(10,508)**	(10,072)
Loss before tax	*6*	**(15,926)**	(21,981)
Income tax expense	*7*	**(3,857)**	(3,182)
Loss for the year		**(19,783)**	(25,163)
Other comprehensive income:			
Items that may be reclassified subsequently to profit loss:			
Exchange differences arising on translation of foreign operations		**8,876**	2,903
Total comprehensive loss for the year		**(10,907)**	(22,260)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013 (Continued)

	Notes	2013	2012
(Loss) Profit attributable to:			
Equity holders of the Company		**(20,059)**	(25,131)
Non-controlling interests		**276**	(32)
		(19,783)	(25,163)
Total comprehensive (loss) income attributable to:			
Equity holders of the Company		**(11,626)**	(22,367)
Non-controlling interests		**719**	107
		(10,907)	(22,260)
Loss per share	*9*		
- Basic		**(HK 1.61 cents)**	(HK 2.07 cents)
- Diluted		**(HK 1.61 cents)**	(HK 2.07 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	2013	2012
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**174,883**	152,334
Lease premium for land		**32,511**	25,560
Deposits for acquisition of land and property, plant and equipment		**7,340**	20,138
Goodwill		**6,317**	20,057
		221,051	218,089
Current assets			
Financial assets at fair value through profit or loss		**1,727**	5,871
Inventories		**27,309**	25,289
Lease premium for land		**745**	582
Trade and other receivables	*10*	**289,876**	268,697
Pledged bank deposits		**82,988**	79,458
Bank balances and cash		**28,995**	21,120
		431,640	401,017
Current liabilities			
Trade and other payables	*11*	**130,982**	98,811
Bank and other borrowings		**203,343**	195,368
Tax payable		**966**	190
		335,291	294,369
Net current assets		**96,349**	106,648
Total assets less current liabilities		**317,400**	324,737
Non-current liabilities			
Deferred tax liabilities		**2,742**	2,733
NET ASSETS		**314,658**	322,004
Capital and reserves			
Share capital		**31,163**	30,367
Reserves		**268,001**	276,862
Equity attributable to equity holders of the Company		**299,164**	307,229
Non-controlling interests		**15,494**	14,775
TOTAL EQUITY		**314,658**	322,004

Notes:

1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2012 consolidated financial statements, except for the adoption of the following new / revised HKFRSs that are relevant to the Group and effective from the current year. A summary of the principal accounting policies adopted by the Group is set out below.

Amendments to HKAS 1:	*Presentation of items of other comprehensive income*
HKFRS 10:	*Consolidated financial statements*
HKFRS 12:	*Disclosure of interests in other entities*
HKFRS 13:	*Fair value measurement*

The adoption of the new and revised of HKFRSs has no material effect in the consolidated financial statements of the Group for the current and prior years.

2 FUTURE CHANGES IN HKFRS

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new / revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12	*Investment Entities* [1]
Amendments to HKAS 32	*Presentation – Offsetting Financial Assets and Financial Liabilities* [1]
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets* [1]
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting* [1]
HK(IFRIC) – Int 21	*Levies* [1]
Amendments to HKAS 19 (2011)	*Defined Benefit Plans – Employee Contributions* [2]
Various HKFRSs	*Annual Improvement Project – 2010-2012 Cycle* [3]
Various HKFRSs	*Annual Improvement Project – 2011-2013 Cycle* [3]
HKFRS 14	*Regulatory Deferral Accounts* [4]
HKFRS 9	*Financial Instruments* [5]
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	*Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39* [5]

[1] Effective for annual periods beginning on or after 1 January 2014

[2] Effective for annual periods beginning on or after 1 July 2014

[3] Effective for annual periods beginning on or after 1 July 2014, except for certain amendments which are effective prospectively for relevant transactions occurred on or after 1 July 2014

[4] Effective for annual periods beginning or after 1 January 2016

[5] No mandatory effective date determined but is available for adoption

The Group is in the process of assessing the possible impact on the future adoption of these new / revised HKFRSs, but is not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

3 TURNOVER

Turnover represents the sale of packaging materials, which is net of value-added tax and other sale taxes, and is stated after deduction of all goods returns and trade discounts.

4 SEGMENT REPORTING

a) Segment revenue, results, assets and liabilities

The Group is principally engaged in the manufacture and sale of packaging materials in the People's Republic of China ("PRC"). Accordingly, there is only one operating segment for the Group and no segmental revenue, results, assets and liabilities are presented. The Group's chief operating decision makers, the executive directors, regularly review the consolidated financial information to assess the performance and make resource allocation decisions.

b) Geographical information

The geographical location of customers is based on the location at which the goods are delivered. Substantially, all of the Group's revenue from external customers and non-current assets are located in the PRC. Therefore, no analysis on revenue from external customers and non-current assets by location is presented.

c) Information about major customers

Revenues from external customers contributing 10% or more of the total revenue from the Group's sole operating segment of sale of packaging materials in the PRC is as follows:

	2013	2012
	HK$'000	*HK$'000*
Customer A	**260,703**	194,104
Customer B	**80,195**	72,696
Customer C	**-**	71,579
	340,898	338,379

5 OTHER REVENUE AND OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Other revenue		
Interest income	**2,741**	2,190
Other income		
Government grants	**2,775**	414
Sale of raw materials and scrap products	**349**	1,127
Sale of steam	**911**	805
Dividend income from held-for-trading equity securities	**147**	178
Fair value change of financial assets at fair value through profit or loss	**888**	847
Compensation income	**1,771**	844
Gain on disposal of property, plant and equipment	**37**	112
Net exchange gain	**2,387**	768
Sundry income	**86**	327
	9,351	5,422
	12,092	7,612

6 LOSS BEFORE TAX

This is stated after charging:

	2013	2012
	HK$'000	*HK$'000*
a) Finance costs:		
Interest on bank and other borrowings wholly repayable within five years	**10,508**	10,072
b) Staff costs (Directors' emoluments included):		
Salaries, wages and other benefits	**60,666**	59,810
Contribution to defined contribution retirement plans	**6,994**	3,085
	67,660	62,895
c) Other items:		
Amortisation of lease premium for land	**963**	619
Auditor's remuneration	**570**	570
Cost of inventories	**502,920**	453,639
Depreciation of property, plant and equipment	**21,389**	20,986
Impairment loss on goodwill included in administrative and other operating expenses	**14,136**	24,248
Impairment loss on property, plant and equipment included in administrative and other operating expenses	**11,031**	946
Loss on disposal of financial assets at fair value through profit or loss	**-**	191
Loss on disposal of property, plant and equipment	**436**	1,323
Operating lease charges on rented premises	**5,568**	6,272

7 TAXATION

Hong Kong Profits Tax has not been provided as the Group had no estimated assessable profits for both current and prior year. The income tax provision in respect of operations in the PRC is calculated at the applicable tax rate of 25% on the estimated assessable profits for 2013 and 2012 based on existing legislation, interpretations and practices in respect thereof.

	2013	2012
	HK$'000	*HK$'000*
Current tax		
PRC enterprise income tax		
- Current year	**3,568**	2,683
- Underprovision in prior year	**359**	568
Deferred tax	**(70)**	(69)
Tax expense for the year	**3,857**	3,182

8 DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the years ended 31 December 2013 and 2012.

9 LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the equity holders of the Company is based on the following data:

	2013	2012
	HK$'000	*HK$'000*
Loss attributable to equity holders of the Company	**(20,059)**	(25,131)

	2013	2012
	Number of shares	Number of shares
	'000	***'000***
Issued ordinary shares at 1 January	**1,214,688**	1,209,680
Effect of shares issued	**31,013**	3,575
Weighted average number of ordinary shares for basic loss per share	**1,245,701**	1,213,255
Loss per share:		
– Basic	**(HK1.61 cents)**	(HK2.07 cents)
– Diluted	**(HK1.61 cents)**	(HK2.07 cents)

Diluted loss per share is the same as the basic loss per share for the years ended 31 December 2013 and 2012 because the effect of potential ordinary shares is anti-dilutive.

10 TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**184,460**	174,644
Less: Allowance for trade receivables	**(92)**	(89)
	184,368	174,555
Notes receivables	**95,793**	87,804
Other receivables	**6,929**	3,471
Prepayments and deposits	**2,786**	2,867
	289,876	268,697

The ageing analysis of the trade receivables at the end of the reporting period is as follows:

	2013	2012
	HK$'000	*HK$'000*
Within 3 months	**176,479**	166,676
Over 3 months but within 6 months	**7,497**	5,655
Over 6 months but within 1 year	**43**	1,487
Over 1 year	**441**	826
	184,460	174,644
Less: Allowance for trade receivables	**(92)**	(89)
	184,368	174,555

The normal credit period granted to the customers of the Group is 90 to 120 days (2012: 90 to 120 days). Allowance for trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

11 TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	HK$'000
Trade payables	**70,496**	55,145
Notes payables	**47,126**	32,828
Other payables	**13,360**	10,838
	130,982	98,811

The aging analysis of trade payables at the end of the reporting period is as follows:

	2013	2012
	HK$'000	HK$'000
Within 3 months	**61,445**	48,410
Over 3 months but within 6 months	**6,138**	4,216
Over 6 months but within 1 year	**1,198**	628
Over 1 year	**1,715**	1,891
	70,496	55,145

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

For the year under review, the Group recorded a total turnover of approximately HK$575.58 million, representing an increase of 11.15% as compared to approximately HK$517.84 million for the corresponding year in 2012.

Gross profit

Gross profit was approximately HK$72.66 million for the year 2013, representing an increase of approximately 13.18% as compared to approximately HK$64.20 million for the corresponding year in 2012. The overall profit margin increased from 12.40% for 2012 to 12.62%.

Other operating income

Other operating income was approximately HK$12.09 million for the year 2013, representing an increase of approximately 58.87% as compared with approximately HK$7.61 million for the corresponding year in 2012. The increase in other operating income was mainly due to the increase in government grants and increase in exchange gain from the pledged RMB fixed deposit held by the Company.

Finance costs

Finance costs for the year 2013 were approximately HK$10.51 million, representing an increase of approximately 4.37% as compared to approximately HK$10.07 million for the corresponding year in 2012.

Loss for the year

For the year under review, loss attributable to equity holders of the Company was approximately HK$20.06 million representing a decrease of approximately 20.18% as compared to approximately of HK$25.13 million for the corresponding year in 2012. An impairment loss on goodwill included in administrative and other operating expenses was approximately HK$14.14 million representing a decrease of approximately 41.69% as compared with approximately HK$24.25 million for the corresponding year in 2012. For the year under review, the Group has made an one-off impairment loss on property, plant and equipment of approximately HK$ 11.03 million for the elimination of the old production plant in Qingdao.

BUSINESS REVIEW

The Group mainly focuses on the production and sale of expanded polystyrene ("EPS") and paper honeycomb packaging products for household electrical appliances in the PRC. The Group commits to provide excellent integrated packaging solutions to its customers, including design, development, testing and production of cushion packaging products. During the year of 2013, the Group was still exposed to a tough operating environment due to the overall decline in economic growth and the continuous downturn of the property market in the PRC, resulting in significantly reduced demand for household electrical appliances and brought unprecedented challenges to the Group. Whereas the continuous rise of fuel, electricity, labour cost and accessory materials increased the operating costs of the Group squeezed the profit margins of the Group.

The economic prospects of the PRC is impacted by the sluggish US economy and the sovereign debt crisis in Europe as well as high inflation and the market demand for the household electrical appliances will not be expected to rebound strongly in the near future. Whereas in the past few years, subsidy policies of "Rural Area Subsidized Electrical Appliances Purchase Policy" and "Energy Efficient Product Subsidy Policy" utilized the market demand for the household electrical appliances in advance.

The household electrical appliances industry is now facing the problem of overcapacity whereas the EPS packaging industry is also facing the problem of overcapacity and the fierce competition within the industry.

New Production Plant in Qingdao

The construction of the new production plant in Qingdao has been completed and has been put into operation in year 2014. The operation of new production plant in Qingdao will increase the production efficiency of the Group and should further enhance the service to the customers located in Qingdao.

New Dormitory in Hefei

The construction of two blocks of dormitory in Hefei was completed and occupied. The new dormitory can provide a better living environment for the employees in Hefei, improve their sense of belonging and stability.

Acquisition of remaining 35% Equity Interest in Hefei Rongfeng Packing Materials Co., Ltd ("Hefei Rongfeng")

On 30 December 2013, the Group and the Vendor entered into the Acquisition Agreement pursuant to which the Vendor agreed to sell and the Group agreed to purchase 35% equity interest in Hefei Rongfeng at the consideration of RMB10,425,900 (equivalent to approximately HK$13,345,152). The Acquisition was completed on 5 March 2014 and Hefei Rongfeng has become an indirect wholly-owned subsidiary of the Company, hence, the Group will have greater flexibility for the allocation of purchase orders and resources among the three wholly-owned subsidiaries located in Hefei, thereby increasing synergies and will further enhance the service to the customers located in Hefei.

BUSINESS OUTLOOK

Looking forward, the Group will focus on upgrading the production technology, strengthen the internal management and develop new customers.

Enhance Production Technology

The Group will enhance its production technology management, improve its production processes, including to improve mould design and management, streamline the production processes, reduce the consumption of water and electricity, reduce scrap products, improve the product quality and to enhance the overall production efficiency.

The Group requires utilizing massive steam in the daily production processes and to improve the mould design can effectively reduce the consumption of steam. The Group will focus on improving mould design, thereby enhancing production efficiency and cost savings.

Strengthen Internal Management

The Group will continue to strengthen its internal management, establish a sound internal control system to enable the Group's continuous, stable and healthy development.

The Group will continuously simplify and improve procedures and processes to make operations more streamlined. The Group will convene regular internal meetings to facilitate communication among the Group's subsidiaries in order to promote market information and exchange production technology so that all departments complement each other in their respective merits and enhance overall efficiency.

The Group will also continue to keep its inventory at reasonably low level in order to enhance profitability.

Team building

The Group has adhered to the "people-oriented" enterprise conviction and strongly believes that only having outstanding human resources can enhance the overall competitiveness and cohesive spirit of the Group. The Group has offered a refined incentive bonus program to its staff. The Group provides ongoing staff training, offers fair and equitable promotional opportunities to its staff and provides a platform to its staff for their career advancement so as to enhance the quality of management and operations skills of the staff, nurture and reserve the key human resources for future development of the Group.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2013.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group's current assets amounted to approximately HK$431.64 million (2012: HK$401.02 million) of which approximately HK$29.00 million (2012: HK$21.12 million) were bank balances and cash. The Group's current liabilities amounted to approximately HK$335.29 million (2012: HK$294.37 million) which mainly comprised its trade and other payables and interest-bearing bank and other borrowings.

As at 31 December 2013, the Group's interest-bearing bank and other borrowings of approximately HK$203.34 million had variable interest rates and were repayable within one year, which were secured by the Group's buildings, lease premium for land, trade and other receivables and pledged bank deposits (2012: approximately HK$195.37 million).

Taken into consideration of its current financial resources, the Group shall have adequate capital for its continual operation and development.

GEARING RATIO

As at 31 December 2013, the total tangible assets of the Group were approximately HK$646.37 million whereas the total liabilities were approximately HK$338.03 million. The gearing ratio (total liabilities divided by total tangible assets) was approximately 52.30%.

CAPITAL COMMITMENT

The Group's capital commitment outstanding at the year end and contracted but not provided for in the financial statements is HK$11.77 million (2012: HK$ HK$21.9 million).

CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any significant contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2013, the Group pledged assets with aggregate carrying value of HK$204.49 million (2012: HK$161.64 million) to secure banking facilities and other borrowings.

EMPLOYEES

As at 31 December 2013, the Group had a total of around 451 (2012: 482) staff. The Group remunerates its employees based on their performance, experience and industry practices.

CORPORATE GOVERNANCE

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with applicable code provisions of the Code for the year ended 31 December 2013, except for certain deviations which are summarized below:

Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Chao Pang Fei is the chairman and chief executive officer of the Company. In view of the scale of operations of the Company and the fact that daily operations of the Group's business is delegated to the senior executives and departments heads, the Board considers that vesting the roles of both chairman and chief executive officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Non-Executive Director and Independent Non-Executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company.

Code Provision A.6.7

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

For the annual general meeting held on 24 June 2013, only the chairman, one executive director and one independent non-executive director attended the meeting. The rest of the board of directors could not attend the meeting due to their busy business schedules or other engagements. The Company will endeavour to arrange the future general meeting with the presence of the non-executive director and independent non-executive directors so as to fulfill the requirement of Code Provision A.6.7.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for Directors' securities transactions. Specific enquiry has been made by the Company and all Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2013.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2013, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the audited consolidated financial statements of the Group for the year ended 31 December 2013.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's auditor, Mazars CPA Limited ("Mazars"), to the amounts set out in the Group's draft audited consolidated financial statements for the year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the preliminary announcement.

By order of the Board of
Sino Haijing Holdings Limited
Chao Pang Fei
Chairman

Hong Kong, 24 March 2014

As at the date of this announcement, the Board comprises of Mr. Chao Pang Fei (executive Director), Mr. Wang Yi (executive Director), Ms. Hui Hongyan (executive Director), Mr. Lan Yu Ping (non-executive Director), Mr. Ho Ka Wing (independent non-executive Director), Mr. Sin Ka Man (independent non-executive Director) and Ms. Chen Hongfang (independent non-executive Director).

This announcement is published on the HKExnews website at http://www.hkexnews.hk and on the website of the Company at http://www.sinohaijing.com.