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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 2014

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 2014 together with the comparative audited figures for the corresponding year in 2013 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Turnover	3	563,565	575,579
Cost of sales		<u>(483,145)</u>	<u>(502,920)</u>
Gross profit		80,420	72,659
Other revenue and other income	5	6,362	12,092
Administrative and other operating expenses		<u>(81,705)</u>	<u>(90,169)</u>
Profit (Loss) from operations		5,077	(5,418)
Finance costs	6(a)	<u>(12,957)</u>	<u>(10,508)</u>
Loss before tax	6	(7,880)	(15,926)
Income tax expense	7	<u>(3,706)</u>	<u>(3,857)</u>
Loss for the year		(11,586)	(19,783)
Other comprehensive (loss) income:			
<i>Items that may be reclassified subsequently to profit</i>			
<i>loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(6,904)</u>	<u>8,876</u>
Total comprehensive loss for the year		<u>(18,490)</u>	<u>(10,907)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014 (Continued)

(Loss) Profit attributable to:

Equity holders of the Company	(11,586)	(20,059)
Non-controlling interests	-	276
	<u>(11,586)</u>	<u>(19,783)</u>

Total comprehensive (loss) income attributable to:

Equity holders of the Company	(18,490)	(11,626)
Non-controlling interests	-	719
	<u>(18,490)</u>	<u>(10,907)</u>

Loss per share

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(Adjusted)

- Basic	<u>(HK\$ 4.65 cents)</u>	<u>(HK\$ 8.05 cents)</u>
- Diluted	<u>(HK\$ 4.65 cents)</u>	<u>(HK\$ 8.05 cents)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

		2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current assets	<i>Note</i>		
Investment properties		9,809	-
Property, plant and equipment		160,095	174,883
Lease premium for land		30,920	32,511
Deposits for acquisition of land and property, plant and equipment		5,333	7,340
Goodwill		-	6,317
		206,157	221,051
Current assets			
Financial assets at fair value through profit or loss		1,861	1,727
Inventories		25,605	27,309
Lease premium for land		727	745
Trade and other receivables	<i>10</i>	290,543	289,876
Pledged bank deposits		96,559	82,988
Bank balances and cash		9,149	28,995
		424,444	431,640
Current liabilities			
Trade and other payables	<i>11</i>	101,618	130,982
Bank and other borrowings		242,578	203,343
Tax payable		1,033	966
		345,229	335,291
Net current assets		79,215	96,349
Total assets less current liabilities		285,372	317,400
Non-current liabilities			
Deferred tax liabilities		2,606	2,742
NET ASSETS		282,766	314,658
Capital and reserves			
Share capital		31,163	31,163
Reserves		251,603	268,001
Equity attributable to equity holders of the Company		282,766	299,164
Non-controlling interests		-	15,494
TOTAL EQUITY		282,766	314,658

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”), and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance concerning the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap.32), in accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that 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 2013 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 32: Presentation – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify the requirements for offsetting financial instruments. These amendments do not have an impact on the consolidated financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36: Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, additional information is required to be disclosed when the recoverable amount of impaired assets is based on fair value less costs of disposal. These amendments do not have an impact on the consolidated financial statements.

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 19 (2011)	Defined Benefit Plans – Employee Contributions ^[1]
Various HKFRSs	Annual Improvements Project – 2010-2012 Cycle ^[2]
Various HKFRSs	Annual Improvements Project – 2011-2013 Cycle ^[2]
Amendments to HKAS 1	Disclosure Initiative ^[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ^[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ^[3]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements ^[3]
Amendments to HKAS 28 (2011) and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ^[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ^[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ^[3]
HKFRS 14	Regulatory Deferral Accounts ^[3]
Various HKFRSs	Annual Improvements Project – 2012-2014 Cycle ^[4]
HKFRS 15	Revenue from Contracts with Customers ^[5]
HKFRS 9 (2014)	Financial Instruments ^[6]

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

^[2] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

^[3] Effective for annual periods beginning on or after 1 January 2016

^[4] Effective for annual periods beginning on or after 1 January 2016, with limited exceptions

^[5] Effective for annual periods beginning on or after 1 January 2017

^[6] Effective for annual periods beginning on or after 1 January 2018

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:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	276,748	260,703
Customer B	65,148	80,195
	<u>341,896</u>	<u>340,898</u>

5 OTHER REVENUE AND OTHER INCOME

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other revenue		
Interest income	2,645	2,741
Rental income	271	-
	<u>2,916</u>	<u>2,741</u>
Other income		
Government grants	476	2,775
Sale of raw materials and scrap products	1,020	349
Sale of steam	968	911
Dividend income from held-for-trading equity securities	105	147
Fair value change of financial assets at fair value through profit or loss	177	888
Compensation income	427	1,771
Gain on disposal of property, plant and equipment	65	37
Net exchange gain	-	2,387
Sundry income	208	86
	<u>3,446</u>	<u>9,351</u>
	<u>6,362</u>	<u>12,092</u>

6 LOSS BEFORE TAX

This is stated after charging:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
a) Finance costs:		
Interest on bank and other borrowings wholly repayable within five years	<u>12,957</u>	<u>10,508</u>
b) Staff costs (Directors' emoluments included):		
Salaries, wages and other benefits	<u>63,643</u>	60,666
Contribution to defined contribution retirement plans	<u>4,078</u>	6,994
	<u>67,721</u>	<u>67,660</u>
c) Other items:		
Amortisation of lease premium for land	789	963
Auditor's remuneration	590	570
Cost of inventories	483,145	502,920
Depreciation of property, plant and equipment	20,882	21,389
Impairment loss on goodwill included in administrative and other operating expenses	6,198	14,136
Impairment loss on trade receivable	421	-
Impairment loss on property, plant and equipment included in administrative and other operating expenses	-	11,031
Loss on disposal of property, plant and equipment	6,070	399
Net exchange loss	1,971	-
Operating lease charges on rented premises	<u>4,122</u>	<u>5,568</u>

7 TAXATION

Hong Kong Profits Tax has not been provided as the Group had no estimated assessable profits arising from Hong Kong for both current and prior years. 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 2014 and 2013 based on existing legislation, interpretations and practices in respect thereof.

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
PRC enterprise income tax		
- Current year	3,261	3,568
- Underprovision in prior year	515	359
Deferred tax	<u>(70)</u>	<u>(70)</u>
Tax expense for the year	<u>3,706</u>	<u>3,857</u>

8 DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the years ended 31 December 2014 and 2013.

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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Loss attributable to equity holders of the Company	(11,586)	(20,059)
	2014 Number of shares '000	2013 Number of shares '000
Issued ordinary shares at 1 January	1,246,501	1,214,688
Effect of shares issued	-	31,013
Effect of share consolidation	(997,201)	(996,561)
Weighted average number of ordinary shares for basic loss per share	249,300	249,140
		<i>(Adjusted)</i>
Loss per share:		
– Basic	(HK\$4.65 cents)	(HK\$8.05 cents)
– Diluted	(HK\$4.65 cents)	(HK\$ 8.05 cents)

- a) The number of shares adopted in the calculation of the basic and diluted loss per share for the years ended 31 December 2014 and 2013 has been adjusted to reflect the impact of the share consolidation effected during the year ended 31 December 2014.
- b) Diluted loss per share is the same as the basic loss per share for the years ended 31 December 2014 and 2013 because the effect of potential ordinary shares is anti-dilutive.

10 TRADE AND OTHER RECEIVABLES

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	172,266	184,460
Less: Allowance for trade receivables	<u>(523)</u>	<u>(92)</u>
	171,743	184,368
Notes receivable	111,406	95,793
Other receivables	4,496	6,929
Prepayments and deposits	<u>2,898</u>	<u>2,786</u>
	<u>290,543</u>	<u>289,876</u>

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	162,149	176,479
Over 3 months but within 6 months	8,429	7,497
Over 6 months but within 1 year	664	43
Over 1 year	<u>1,024</u>	<u>441</u>
	172,266	184,460
Less: Allowance for trade receivables	<u>(523)</u>	<u>(92)</u>
	<u>171,743</u>	<u>184,368</u>

The normal credit period granted to the customers of the Group is 90 to 120 days (2013: 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

	2014	2013
	HK\$'000	HK\$'000
Trade payables	69,858	70,496
Notes payable	16,790	47,126
Other payables	14,970	13,360
	101,618	130,982

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

	2014	2013
	HK\$'000	HK\$'000
Within 3 months	55,673	61,445
Over 3 months but within 6 months	8,251	6,138
Over 6 months but within 1 year	3,472	1,198
Over 1 year	2,462	1,715
	69,858	70,496

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

For the year under review, the Group recorded a total turnover of approximately HK\$563.57 million, representing a decrease of 2.09% as compared to approximately HK\$575.58 million for the corresponding year in 2013.

Gross profit

Gross profit was approximately HK\$80.42 million for the year 2014, representing an increase of approximately 10.68% as compared to approximately HK\$72.66 million for the corresponding year in 2013. The overall profit margin increased from 12.62% for 2013 to 14.27%.

Other operating income

Other operating income was approximately HK\$6.36 million for the year 2014, representing a decrease of approximately 47.39% as compared with approximately HK\$12.09 million for the corresponding year in 2013. The decrease in other operating income was mainly due to a substantial reduction of the government grants from approximately HK\$2.78 million in the year 2013 to approximately HK\$0.48 million for the corresponding year in 2014 and the exchange gain from the pledged RMB fixed deposit held by the Company was approximately HK\$2.78 million for the year 2013. Whereas the exchange loss from the pledged RMB fixed deposit held by the Company was approximately HK\$2.1 million (included in the administrative and other operating expenses) for the year under review.

Finance costs

Finance costs for the year 2014 were approximately HK\$12.96 million, representing an increase of approximately 23.31% as compared to approximately HK\$10.51 million for the corresponding year in 2013. The increase of finance costs was mainly due to increase in bank and other borrowings.

Loss for the year

For the year under review, loss attributable to equity holders of the Company was approximately HK\$11.59 million representing a decrease of approximately 42.23% as compared to approximately HK\$20.06 million for the corresponding year in 2013. An impairment loss on goodwill included in administrative and other operating expenses was approximately HK\$6.2 million, representing a decrease of approximately 56.15% as compared with approximately HK\$14.14 million for the corresponding year in 2013.

BUSINESS REVIEW

The Group mainly focuses on the production and sale of expanded polystyrene (“EPS”) packaging products for household electrical appliances in the PRC. The Group commits to provide excellent integrated packaging solutions to its customers, including design, developing, testing and production of cushion packaging products. During the year of 2014, 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.

Presently, the economy of the PRC is weak 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.

During the year under review, the Group had intended to develop the oil-related businesses in order to broaden the revenue base of the Group. Because of the volatile fluctuation of the oil prices in the second half of 2014, the Group decided to cancel developing the oil-related businesses after considering their relevant business risks.

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.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group's current assets amounted to approximately HK\$424.44 million (2013: HK\$431.64 million) of which approximately HK\$9.15 million (2013: HK\$29.00 million) were bank balances and cash. The Group's current liabilities amounted to approximately HK\$345.23 million (2013: HK\$335.29 million) which mainly comprised its trade and other payables and interest-bearing bank and other borrowings.

As at 31 December 2014, the Group's interest-bearing bank and other borrowings of approximately HK\$242.58 million had variable interest rates and were repayable within one year, which were secured by the Group's buildings, investment properties, lease premium for land, trade and other receivables and pledged bank deposits (2013: approximately HK\$203.34 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 2014, the total tangible assets of the Group were approximately HK\$630.60 million whereas the total liabilities were approximately HK\$347.84 million. The gearing ratio (total liabilities divided by total tangible assets) was approximately 55.16%.

CAPITAL COMMITMENT

The Group's capital commitment outstanding at the year end and contracted but not provided for in the financial statements was HK\$13.90 million (2013: HK\$ 11.77 million).

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any significant contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2014, the Group pledged assets with aggregate carrying value of HK\$189.64 million (2013: HK\$204.49 million) to secure banking facilities and other borrowings.

EMPLOYEES

As at 31 December 2014, the Group had a total of around 363 (2013: 451) 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 2014, 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. 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 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 19 May 2014, 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 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 2014.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2014, 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 2014.

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 2014 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, 23 March 2015

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), Ms. Szeto Wai Ling Virginia (executive Director), Mr. Lam Wai Hung (executive Director), Mr. Ho Ka Wing (independent non-executive Director), Mr. Sin Ka Man (independent non-executive Director) and Mr. Hong Jianhua (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>.