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## **Sijia Group Company Limited**

**思嘉集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1863)**

### **CLARIFICATION ANNOUNCEMENT**

Reference is made to the announcement of the Company dated 8 February 2013 (the “**Announcement**”) in respect of the proposed change of auditors of the Company. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context otherwise requires.

#### **DETAILS OF THE OBSERVATIONS**

The Company would like to set out details of the Observations as follows:

**(a) Inability to verify the value-added tax invoices through online verification system**

EY claimed that the value-added tax invoices regarding 12 sample sale of goods transactions and 10 sample purchase of goods transactions during the 6-month period ended 30 June 2012 could not be verified by EY through the online value-added tax invoice verification system.

**(b) Inability to verify the bank accounts of customers and suppliers**

EY claimed that during the 6-month period ended 30 June 2012, the customers’ bank accounts in respect of 10 sample transactions and the suppliers’ bank accounts in respect of 2 sample transactions could not be verified by EY with the relevant banks.

(c) **Inaccurate information of the bank slips and the bank statements**

EY claimed that during the 6-month period ended 30 June 2012, EY found that the bank code stated in 7 bank slips relating to the sample payment transactions do not comply with the official coding requirements, and that 2 sample payment transactions show inconsistent transaction codes appearing on the bank slips and the bank statements.

EY also claimed that the balance of the bank account of Fujian Sijia Industrial Material Co., Ltd (福建思嘉環保材料科技有限公司), an indirect wholly-owned subsidiary of the Company, was inconsistent with the balance stated in one of the two bank statements of that subsidiary obtained by EY.

**ACTIONS TAKEN BY THE COMPANY**

The Board disagreed with the Observations and found them unbelievable. Nevertheless, the Company has taken the matter seriously and up to the date of this announcement, the following actions have been taken by it:

- (i) it was noted that although the Observations were made by EY entirely out of its own and conveyed to the Company **in its draft form** only, the Company looked into the matter promptly and carried out its own enquiries on the truthfulness of each of the Observations;
- (ii) based on the information and documents provided to the chairman of the Audit Committee, the Company issued a reply letter to EY dated 26 November 2012 with the explanations and the supporting documents attached thereto; and
- (iii) on 5 December 2012, a full Board meeting was held at which the Observations were thoroughly discussed and a further reply to the Audit Committee dated 11 December 2012 was copied to EY with further supporting evidence which served to address the Observations.

Up to the date of this announcement and in the absence of any substantive feedback or comment from EY in regard to the explanations and the supporting documents set out in the two letters mentioned in (ii) and (iii) above or any specific suggestion from EY on any additional procedures required (save to conduct an independent investigation), the Board considers that the explanations sufficient in addressing the Observations.

## **THE ADDITIONAL PROCEDURES REQUESTED BY EY**

The Company would like to clarify that up to the date of this announcement, save that EY suggested to the Company that the Observations should be investigated by an independent party, EY has not specified in detailed terms the additional procedures required.

## **THE INDEPENDENT INVESTIGATION**

The Company appointed ANDA CPA Limited (“**ANDA**”), an independent accountants’ firm, on 30 January 2013 to carry out the independent investigation to look into the Observations and to prepare an investigation report.

The details and scope of the independent investigation to be conducted by ANDA include (a) interviewing the responsible parties in relevant banks, tax authorities, clients and suppliers of the Group; (b) inspecting relevant documents; and (c) looking into such other matters jointly agreed by ANDA and the Audit Committee.

SHINEWING has indicated to the Company that the independent investigation to be made by ANDA is a positive step in addressing the Observations. The Company has not enquired EY about ANDA’s engagement as it was made after the Company proposed to terminate EY’s service as auditors of the Company.

## **ANTICIPATED TIMETABLE**

The Company anticipates that, owing to the intervening Chinese New Year Holidays, especially when many of the parties involved in mainland China will not resume business till the third or fourth week of this month, the independent investigation can be completed before the EGM.

The Company anticipates the final audit for the year ended 31 December 2012 will be completed by SHINEWING on or before 31 March 2013.

## **CONTINUED SUSPENSION OF TRADING IN SHARES**

At the request of the Company, trading in the shares of the Company (the “**Shares**”) on The Stock Exchange of Hong Kong Limited was suspended with effect from 9:34 a.m. on Thursday, 14 February 2013. Trading in the Shares will continue to be suspended until further notice. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

By Order of the Company  
**Sija Group Company Limited**  
**Lin Shengxiong**  
*Executive Director*

Hong Kong, 19 February 2013

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