Sijia Group Company Limited
思嘉集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1863)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

- Revenue increased by 69.2% to RMB965.3 million
- Gross profit increased by 68.9% to RMB437.2 million
- Profit attributable to equity holders of the Company increased by 26.9% to RMB217.2 million
- Basic earnings per share was RMB28.86 cents
- Proposed final dividend of HK10.0 cents per share

ANNUAL RESULTS

The board of directors (the "Board") of Sijia Group Company Limited (the "Company") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "Group" or "Sijia Group") for the year ended 31 December 2010, together with the comparative figures for 2009 as follows:

CONSOLIDATED INCOME STATEMENTS

Year ended 31 December 2010

	Notes	**2010** ***RMB'000***	2009 *RMB'000*
REVENUE	*3*	**965,338**	570,492
Cost of sales		**(528,092)**	(311,624)
Gross profit		**437,246**	258,868
Other income and gains	*3*	**6,367**	1,979
Selling and distribution costs		**(20,694)**	(3,612)
Administrative expenses		**(152,791)**	(49,657)
Other expenses		**(3,359)**	(881)
Finance costs	*5*	**(2,112)**	(2,139)
PROFIT BEFORE TAX	*4*	**264,657**	204,558
Income tax expense	*6*	**(47,411)**	(33,346)
PROFIT FOR THE YEAR		**217,246**	171,212
Attributable to:			
Owners of the parent		**217,246**	171,212
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*7*		
Basic:			
– For profit for the year		**28.86 cents**	28.54 cents
Diluted:			
– For profit for the year		**28.67 cents**	28.54 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2010

	2010 *RMB'000*	2009 *RMB'000*
PROFIT FOR THE YEAR	**217,246**	171,212
OTHER COMPREHENSIVE (LOSS)/INCOME		
Exchange differences on translation of foreign operations	**(9,861)**	23
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(9,861)**	23
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**207,385**	171,235
Attributable to:		
Owners of the parent	**207,385**	171,235

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Year ended 31 December 2010

	Notes	**2010** **RMB'000**	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**376,205**	79,204
Prepaid land lease payments		**5,305**	5,401
Intangible assets		**5,058**	298
Advance payments for property, plant and equipment		**329,725**	50,213
Available-for-sale investment		**4,140**	–
Deferred tax assets		**787**	–
Total non-current assets		**721,220**	135,116
CURRENT ASSETS			
Inventories		**55,370**	29,448
Trade receivables	*8*	**147,118**	86,364
Prepayments, deposits and other receivables		**37,220**	33,945
Pledged deposits		**22,109**	11,029
Cash and cash equivalents		**333,857**	173,958
Total current assets		**595,674**	334,744
CURRENT LIABILITIES			
Trade and bills payables	*9*	**80,318**	45,366
Other payables and accruals		**12,992**	16,763
Interest-bearing bank borrowings		**15,000**	35,500
Deferred income		**360**	–
Tax payable		**1,681**	9,600
Due to a director		**–**	624
Due to a related party		**80**	4,451
Total current liabilities		**110,431**	112,304
NET CURRENT ASSETS		**485,243**	222,440
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,206,463**	357,556
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**–**	3,375
Deferred income		**3,210**	–
Deferred tax liabilities		**6,267**	3,181
Total non-current liabilities		**9,477**	6,556
Net assets		**1,196,986**	351,000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*10*	**728**	88
Reserves		**1,126,388**	350,912
Proposed final dividends		**69,870**	–
Total equity		**1,196,986**	351,000

NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings, derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Changes in Accounting Policy and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs issued in October 2008*	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

The adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

Issued But Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [5]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Servere Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 *Amendments*	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised standards, amendments and interpretations upon initial application. So far, the Group considers that except for the adoption of HKFRS 9 which may result in changes in accounting policies, the other revised standards, amendments or interpretations are unlikely to have a significant impact on the Group's results of operations and financial position.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and services and there are no reportable operating segments.

Geographical information

	PRC	Non-PRC	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2010			
Revenue from external customers	949,207	16,131	965,338
Non-current assets	716,293	–	716,293
Year ended 31 December 2009			
Revenue from external customers	557,874	12,618	570,492
Non-current assets	135,116	–	135,116

The revenue information is based on the location of the customers.

All of the non-current assets of the Group are located in the PRC and exclude financial instruments and deferred tax assets.

Information about a major customer

No revenue from transactions with a single customer amounted to 10% or more of the Group's total revenue for the year (2009: Nil).

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of valued-added tax and government surcharges, and after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	2010	2009
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**965,338**	570,492
Other income and gains		
Bank interest income	**1,904**	614
Government subsidies	**4,288**	1,202
Others	**175**	163
	6,367	1,979

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	**2010** *RMB'000*	2009 *RMB'000*
Cost of inventories sold		**488,500**	291,187
Depreciation		**10,823**	8,901
Amortisation of prepaid land lease payments		**96**	98
Amortisation of intangible assets		**471**	84
Research and development costs		**97,909**	34,030
Operating lease expenses		**1,784**	331
Loss on disposal of items of property, plant and equipment		**572**	839
Auditors' remuneration		**2,358**	8
Employee benefit expense (including directors' remuneration):			
Wages and salaries		**22,993**	10,739
Pension scheme contributions		**952**	559
Equity-settled share option expense		**13,101**	–
Staff welfare expenses		**3,558**	950
		40,604	12,248
Foreign exchange differences, net		**2,450**	34
Bank interest income	*3*	**(1,904)**	(614)

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Group **2010** *RMB'000*	2009 *RMB'000*
Interest on bank loans wholly repayable within five years	**2,112**	1,893
Interest on other loans	**–**	246
	2,112	2,139

6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or the British Virgin Islands.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax is subject to corporate income tax ("CIT") at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for income tax has been made as Sijia International Holding Limited ("HK Sijia") had no taxable income during the year (2009: Nil).

Under the New Corporate Income Tax Law and implementation regulations issued by the State Council, and in accordance with the Arrangement between Mainland China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, any dividends received by the Company from Fujian Sijia and Xiamen Grandsoo, in regards of the profits generated after 2007, are subject to a withholding tax rate of 5% so long as HK Sijia is the beneficial owner.

The income tax expenses of the Group during the year are analysed as follows:

	Group	
	2010	2009
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**45,112**	31,620
Deferred	**2,299**	1,726
Total tax charge for the year	**47,411**	33,346

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 752,720,000 (2009: 600,000,000) in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2010	2009
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations	**217,246**	171,212

	Number of shares	
	2010	2009
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	**752,720**	600,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**4,012**	–
Warrants	**982**	–
	757,714	600,000

8. TRADE RECEIVABLES

	2010 RMB'000	2009 RMB'000
Trade receivables	**147,118**	86,364

The Group's trading terms with its customers are mainly on credit. The credit period is generally three months, extending up to four months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	2010 RMB'000	2009 RMB'000
1 to 30 days	**83,594**	44,124
31 to 60 days	**40,040**	36,709
61 to 90 days	**13,219**	5,445
91 to 360 days	**10,265**	86
Over 360 days	**–**	–
	147,118	86,364

9. TRADE AND BILLS PAYABLES

	Note	2010 RMB'000	2009 RMB'000
Trade payables		**16,079**	13,930
Bills payable	*(a)*	**64,239**	31,436
		80,318	45,366

Note:

(a) At 31 December 2010, bills payable of approximately RMB64,239,000 (2009: RMB31,436,000) were secured by time deposits amounting to approximately RMB22,109,000 (2009: RMB11,029,000).

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date of trade payables and bills payable, respectively, is as follows:

	2010	2009
	RMB'000	*RMB'000*
Within 1 month	**23,321**	19,061
1 to 2 months	**16,143**	8,949
2 to 3 months	**17,476**	5,821
3 to 6 months	**21,106**	11,535
6 to 12 months	**2,160**	–
12 to 24 months	**112**	–
	80,318	45,366

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

10. SHARE CAPITAL

	Notes	**Number of shares** '000	RMB'000
Authorised			
Ordinary shares of HK$0.001 each:			
Upon incorporation	*(i)*	380,000	335
At 31 December 2009 and 1 January 2010		380,000	335
Increase in authorised share capital	*(ii)*	1,620,000	1,425
At 31 December 2010		2,000,000	1,760
Issued and fully paid:			
Upon incorporation	*(i)*	10	–
For the acquisition of the entire issued share capital of China Grandsoo Holdings Company Limited ("China Grandsoo"), issuing and allotting ordinary shares of HK$0.001 each, credited as fully paid	*(iii)*	99,990	88
At 31 December 2009 and 1 January 2010		100,000	88
Capitalisation issue	*(iv)*	500,000	439
New issue of shares	*(v)*	228,831	201
At 31 December 2010		828,831	728

Notes:

(i) On 7 October 2009, the Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands and was authorised to issue up to 380,000,000 shares of HK$0.001 each. On the same date, one subscriber share with a par value of HK$0.001 was transferred to Hopeland International Holdings Company Limited ("Hopeland International") and 9,999 shares with a par value of HK$0.001 were further allotted and issued to Hopeland International.

(ii) Pursuant to the written resolutions of all the shareholders passed on 15 January 2010, the authorised share capital of the Company was increased from HK$380,000 to HK$2,000,000 by the creation of additional 1,620,000,000 shares.

(iii) Pursuant to a resolution passed on 15 December 2009, the Company allotted and issued 99,990,000 shares with a par value of HK$0.001, credited as fully paid, to Hopeland International in consideration of Hopeland International transferring the entire issued share capital of China Grandsoo to the Company as part of the reorganisation.

(iv) Pursuant to a resolution passed on 8 April 2010, a total of 500,000,000 new ordinary shares of HK$0.001 each were further allotted and issued, credited as fully paid at par by the Company, by way of capitalisation of the sum of HK$500,000 (equivalent to approximately RMB439,000) from the share premium account, to the then existing shareholders of the Company in proportion to their respective shareholdings.

(v) In connection with the Company's initial public offering, 200,000,000 ordinary shares of HK$0.001 each were issued at a price of HK$3.28 on 28 April 2010 for a total cash consideration, before related issue expenses, of HK$656,000,000 (equivalent to approximately RMB576,558,000).

On 26 May 2010, 28,831,000 ordinary shares of HK0.001 each were allotted and issued upon the exercise of the over-allotment option at a price of HK$3.28 for a total cash consideration, before related issue expenses, of HK$94,566,000 (equivalent to approximately RMB82,773,000).

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in annual report.

Issuance of unlisted warrants

On 17 November 2010, 35,000,000 unlisted warrants of HK$0.01 each for cash had been issued. The total proceeds and net proceeds from the placing of warrants after deducting all related expenses, were approximately HK$350,000 (equivalent to approximately RMB300,000) and approximately HK$188,000 (equivalent to approximately RMB161,000), respectively. The Company has utilised the net proceeds as general working capital. During the year, no warrant was exercised.

11. EVENT AFTER THE REPORTING PERIOD

On 15 March 2011, the board of directors of the Company proposed a final dividend of HK10.0 cents per ordinary share totalling approximately RMB69,870,000 for the year ended 31 December 2010, which is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Corporate Profile

Sijia Group is a recognised industry leader in the PRC for providing reinforced new materials (the "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 substantial experience in proprietary technology, product innovation and marketing and insists on market-focused strategy and joint development, manufacturing, sales of novel products with research and development team and academic institutions. Various novel products and production techniques of the Group possess independent intellectual property rights and national patents on technology.

Our reinforced materials (the "Reinforced Materials") business, located in our headquarter in Fuzhou, utilises self-developed facilities and techniques, which has acquired national patents on innovation, to produce New Materials, including architectural membrane, waterproofing membrane, TPU materials, air tightness materials, inflatable materials, biogas tank materials, tarpaulin materials, wader and protective garment materials, etc. Such materials exhibit nine characteristics, including high tensile strength, anti-tearing, anti-stripping, flame retardancy, anti-bacteria, anti-corrosive, durable, low temperature resistance and sunlight resistance. Meanwhile, the Group has also expanded into downstream end products (the "End Products") business, with factories located in Xiamen, Wuhan and Chengdu, 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.

Segments by Product

Sijia Group generated the most revenue from Reinforced Materials which accounted for 59.9% (2009: 59.7%) of total revenue. Local sales continued to be our major source of revenue, representing 98.3% (2009: 97.8%) of the total revenue while export sales accounted for 1.7% (2009: 2.2%) of the total revenue. Given the diverse applications of our Reinforced Materials and End Products, our products can be applied in eleven major markets including outdoor, sports, renewable energy, protection, construction, logistic, packaging, medical use, safety, advertising and daily supplies.

Reinforced Materials

During 2010, revenue from Reinforced Materials amounted to RMB578.5 million which accounted for 59.9% of total revenue, with sales up 69.8%, due to strong market demand. Sijia Group sold the most in wader and protective garment materials, followed by inflatable materials, air tightness materials, bag materials and biogas tank materials, which accounted for 12.8%, 11.8%, 10.0%, 7.1% and 6.6% of total revenue respectively for the year under review (2009: 16.0%, 15.7%, 11.9%, 6.6% and 2.5%). The sale of biogas tank material was up 339.8% for the year, followed by bag materials, air tightness materials, protective garment materials and inflatable materials with sales up 82.3%, 42.9%, 34.9% and 27.3% respectively.

During the year, we launched a series of promotional and advertising activities including advertising on CCTV and increasing our presence in professional magazines. Sijia Group actively participated in trade exhibitions and organised industry-specific seminars to further develop our image and increase our presence in the industry. We further penetrated into the end market to capture larger market share of the Reinforced Materials.

Conventional Materials (the "Conventional Materials")

For the year under review, revenue from Conventional Materials amounted to RMB101.2 million which accounted for 10.5% of total revenue, with sales up 7.7%.

End Products

For the year under review, revenue from End Products amounted to RMB285.6 million which accounted for 29.6% of total revenue, with sales up 110.3%, due to strong market demand. During the year, we set up seven local sales offices for our End Products namely in Foshan, Changsha, Nanning, Nanchang, Wuhan, Chengdu and Linyi.

- **Outdoor Leisure Sports Consumer Market**

  As to End Products, Sijia Group generated sales primarily from waders and protective garment and inflatable boats, which delivered 11.7% and 6.8% of total revenue respectively for the year under review (2009: 8.8% and 13.1%). The sales of waders and protective garment was up 124.1% for the year.

- **New Energy Market**

  As to End Products, the sale of biogas tank accounted for 7.5% of total revenue for the year under review.

  Sijia Group offered both Reinforced Materials and End Products for the biogas tank business. An impressive sale performance was achieved in the biogas tank business with sales up approximately 6 times when compared with that of 2009. Rapid growth in sales gain was led by our strengths in R&D, strong market demand and government encouragement coupled with its favourable policies. For the year under review, the production and sales of biogas tank Reinforced Materials and End Products accounted for RMB63.5 million, or 6.6% and RMB72.7 million, or 7.5% (2009: RMB14.4 million, or 2.5% and RMB5.3 million, or 0.9%) of total revenue respectively. Compared with traditional biogas tank, our biogas tank products are advantaged with the benefit of high air tightness and sustainable gas generating at low temperature. In addition, the Chinese government exerts great efforts in supporting biogas tank projects and implements specific subsidy policies, we have managed to accelerate the growth of our business in biogas tank.

Research and Development (the "R&D")

Sijia Group insists on achieving continuous growth by ways of R&D and innovations. Its significant investments in R&D enables Sijia Group to be market oriented with continuous launches of new products and technologies that meet the needs of the market. The Group forms a solid strategic alliance with the clients, which develops new products satisfying clients' needs, provides technical, equipment and service support for the design, manufacturing and sales of clients' products. Product development and technology functions are located primarily in our headquarter in Fuzhou. Sijia Group's investments in developing new products and improving equipment technology over the last two years were as follows: RMB97.9 million (10.1% of revenue) in 2010 and RMB34.0 million (6.0 % of revenue) in 2009.

Over the years, we increased our R&D investments in an attempt to accelerate the commercialisation of certain products, particularly the biogas tank materials and biogas tank products in 2009. In order to enable commercialisation once our Shanghai plant is ready for operations (tentatively in the fourth quarter of 2011), we accelerated our development of architectural membrane, waterproofing membrane, membrane for double membrane gas holder and TPU materials for substitution of those imported products, and replacement of materials that are not environmental friendly, lower cost production and reduced build time.

The applications of our New Materials are as follows:

Architectural membrane. Our architectural membrane creates distinctively impressive buildings as it offers the flexibility to form infinite number of shapes. Membrane roofs weigh far less than conventional roofing and thus lower the construction price of wall and roofing. Architectural membrane construction has further advantages of short construction lead-time, low energy consumption and wide-span construction space. Architectural membrane structures are internationally recognised as part of permanent construction as it exhibits stain resistant and durability.

Waterproofing membrane. Traditional waterproofing flat roofs which use tar based surface tend to fail when there is pooling of water and under colder climates. We developed Thermoplastic Polyolefin (the "TPO") waterproofing membrane for the construction of waterproofing system, it helps protect structures from the damaging effects of water and extreme weather. Due to the huge market potential and demand for waterproofing membrane and the excellence that are not available in other waterproofing materials on the market, it is a very popular choice for green buildings.

Membrane for double membrane gas holder. Architectural membrance applied in large scale biogas holders is a very flexible and economical biogas holder material. Cost expenditure, and time for purchase and building can be greatly reduced while there is no need for expensive steel concrete structures for double membrane gas holder produced with membrane. These biogas holders demonstrate excellent air tightness, stain resistance and weather resistance that the tank requires no maintenance other than visual inspection.

TPU Materials. It is a new environmental friendly material. It exhibits special characteristics such as oil resistance, waterproofing, high tension, high tensile force, durable, anti-abrasive, low temperature resistance. It is widely used for the manufacturing of products like medical equipments, water bag, oil bag, spill containment boom, sports equipment, inflatable boats and daily supplies in the areas such as military, ocean, industry, and modern agriculture.

The markets we serve are characterised by rapid technological change. To compete effectively in our markets, we must continually match with the pace of such market change by continuously innovating and improving our products and our manufacturing technologies and developing new techniques and products that compete effectively on the basis of performance and that adequately address needs of current and potential customers.

FINANCIAL REVIEW

Financial Results

Revenue

Revenue for the year under review was RMB965.3 million, an increase of RMB394.8 million, or 69.2%, compared to revenue of RMB570.5 million for the same period last year. The increase in revenue was primarily due to the increase in market demand on our Reinforced Materials and End Products during the year.

During the year under review, the sales of Reinforced Materials increased RMB237.9 million, or 69.8%, to RMB578.5 million compared to RMB340.7 million for the same period last year. The sales of Reinforced Materials increased the most in wader and protective garment materials, followed by inflatable materials, biogas tank materials and tarpaulin materials. These increases were due primarily to the increase in demand on our Reinforced Materials. On the other hand, the sale of Conventional Materials increased RMB7.2 million, or 7.7%, to RMB101.2 million compared to RMB94.0 million for the same period last year.

During the year under review, the sales of End Products increased RMB149.8 million, or 110.3%, to RMB285.6 million compared to RMB135.8 million for the same period last year. The increase was due primarily to increase in demand on wader and protective clothing, biogas tank and inflatable boat.

The split of these revenue based on products compared to 2010 and 2009, is shown below:

	For the year ended 31 December			
	2010		2009	
	(RMB million)	*%*	*(RMB million)*	*%*
Reinforced Materials	**578.5**	**59.9**	340.7	59.7
Conventional Materials	**101.2**	**10.5**	94.0	16.5
End Products	**285.6**	**29.6**	135.8	23.8
	965.3	**100.0**	570.5	100.0

The split of these revenues based on geographically locations compared to 2010 and 2009, is shown below:

	For the year ended 31 December			
	2010		2009	
	(RMB million)	*%*	*(RMB million)*	*%*
PRC	**949.2**	**98.3**	557.9	97.8
Non-PRC	**16.1**	**1.7**	12.6	2.2
	965.3	**100.0**	570.5	100.0

Gross Profit and gross margin

Gross profit increased to RMB437.2 million for the year ended 31 December 2010 (2009: RMB258.9 million). The gross profit margin was 45.3% for the year ended 31 December 2010 (2009: 45.4%). Due to the continuous refinement of product mix to offer more Reinforced Materials and End Products which commanded higher gross profit margin as compared with that of Conventional Materials, a stable gross profit margin was maintained.

The split of these gross profit margin based on products compared to 2009, is shown below.

	2010	2009
	%	*%*
Reinforced Materials	**42.5**	44.9
Conventional Materials	**16.1**	15.6
End Products	**61.4**	67.1
	45.3	45.4

Selling and distribution costs

For the year under review, selling and distribution costs increased RMB17.1 million or 472.9% to RMB20.7 million, or 2.1% of revenue for the year under review, from RMB3.6 million, or 0.6% of revenue for the same period last year. The increase in selling and distribution costs was primarily due to increases in exhibition expenses and staff costs amounted to RMB4.0 million and RMB2.5 million respectively for the year under review, as we stepped up our marketing efforts to promote our product and increase our market shares. We also incurred marketing consultant fee amounted to RMB9.5 million (2009: RMB0.9 million) to seek advice on marketing strategies including brand building and sales network expansion, and research on market of Reinforced Materials and TPU materials.

Administrative expenses

For the year under review, administrative expenses increased RMB103.1 million or 207.7% to RMB152.8 million, or 15.8% of revenue for the year under review, from RMB49.7 million, or 8.7% of revenue for the same period last year. The increase in administrative expenses was primarily due to the incurrence of legal and professional fees for the global offering and share option expenses amounted to RMB14.9 million (2009: RMB5.7 million) and RMB13.1 million respectively for the year under review. In addition, research and development costs increased RMB63.9 million, or 187.7%, to RMB97.9 million, or 10.1% of revenue for the year under review, from RMB34.0 million, or 6.0% of revenue for the same period last year. The increase is mainly related to the refinement of current product and development of New Materials including the material cost incurred in architectural membrane, water proofing membrane and membrane for double membrane gas tank. Such research and development expenses demonstrates our commitment to ensuring our R&D capability for improving existing product and developing new products and is expected to stand us in good stead as our Group moves up the value chain.

Finance costs

Finance cost for the year under review was RMB2.1 million (2009: RMB2.1 million). This equates to 0.2% and 0.4% of revenue for 2010 and 2009 respectively.

Interest income

Interest income amounted to RMB1.9 million for the year under review (2009: RMB0.6 million).

Income Tax

For the year under review, the Group had an overall income tax expense of RMB47.4 million, or 17.9% of pre-tax income compared to the tax expense of RMB33.3 million, or 16.3% of pre-tax income for the same period last year.

Net Income

The Group generated profit attributable to owners of parent for the year under review of RMB217.2 million, or RMB28.86 cents for basic earnings per share, compared to profit attributable to owners of parent of RMB171.2 million, or RMB28.54 cents for basic earnings per share for the same period last year. The weighted average number of common shares outstanding at 31 December 2010 was 752,720,000 compared to 600,000,000 at 31 December 2009.

LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' Funds

Total shareholders' funds amounted to RMB1,197 million, as compared to RMB351.0 million at 31 December 2009, an increase of 241.0%.

Financial Position

The Group's net gearing, expressed as a percentage of total interest-bearing liabilities to total assets, was at 1.1% as compared to 8.3% as at 31 December 2009.

Bank Borrowings

The Group had cash and bank balances of RMB356.0 million (31 December 2009: RMB185.0 million), most of which were denominated in Hong Kong dollars or Renminbi. As at 31 December 2010, the Group had interest-bearing bank borrowings of RMB15.0 million (31 December 2009: RMB38.9 million).

Working Capital

Total inventory was at RMB55.4 million as compared to RMB29.4 million as at 31 December 2009. The number of days of inventory was at 38 days (31 December 2009: 34 days).

Trade receivables turnover days was at 56 days (31 December 2009: 55 days). The Group strikes to exercise due care in managing credit exposure.

Trade payables turnover days was at 56 days (31 December 2009: 53 days).

Overall, the Group maintained a current ratio of 5.4 as at 31 December 2010 (31 December 2009: 3.0).

Capital Expenditure

For the year under review, the Group incurred capital expenditure of approximately RMB307.9 million and advanced payment for property, plant and equipment for RMB279.5 million, which were financed by the Group's internal resources and the proceeds of its global offering.

Capital Commitments and Contingent Liabilities

As at 31 December 2010, total capital commitments amounted to RMB119.6 million (31 December 2009: RMB50.0 million). There were no material contingent liabilities or off balance sheet obligations.

Human Resources

The Group employed a total of 985 employees (31 December 2009: 490 employees) in China and Hong Kong.

The Group regards human capital as vital for the Group's continuous growth and profitability and remains committed to improve the quality, competence and skills of all employees. It provides job related training and leadership development programs throughout the organisation. The Group continues to offer competitive remuneration packages and bonuses to eligible staffs, based on the performance of the Group and the individual employee.

PROSPECTS

The Board has confidence in the launch of our other new products. Since we commenced our production of red mud biogas tanks in 2009, the results have been very positive with a 6-fold growth in terms of annual revenue to approximately RMB136.2 million in 2010 (2009: RMB19.7 million). We are confident that our biogas tank business will have a sustainable growth going forward. Sijia Group is currently working hard with the Ministry of Agriculture in setting up the national standard for biogas tanks.

The Group possesses a strong R&D team and numerous core patent technologies, with our products and production techniques meet the principles of independent innovation, environmental-friendly and energy conservation as encouraged in the "Twelfth Five-year Plan" of the PRC. This contributed to the trend to change the "Made in China" to "Innovated by China". Our production process is basically free from environmental pollution. With years of exploration and practices, we have attained our unique patent technologies, building up ourselves the market leader with our compelling competitive advantages.

As a leading player in the New Materials industry, Sijia Group is setting its sights on expanding the range of industries that the New Materials can be utilised. We have initiated strategic review to evaluate current operations and future opportunities to examine and re-establish business goals and financial objectives, to ensure advancing in a strategic direction appropriate to its intellectual and financial resources, and to determine the most prudent course for accomplishing them.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK10.0 cents (2009: Nil) per ordinary share for the year ended 31 December 2010. Subject to the approval by shareholders of the Company at the annual general meeting to be held on 28 April 2011, the payment of the final dividend will be paid on or before 31 May 2011 to shareholders whose names appear on the register of members of the Company on 28 April 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26 April 2011 to 28 April 2011 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and to attend and vote at the forthcoming annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 21 April 2011.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2010.

CORPORATE GOVERNANCE

Mr. Zhang Hongwang, an executive director of the Company, has assumed the function of a chief executive officer during the year under review, the redesignation of Mr. Zhang as a chief executive officer has yet been resolved by the Board.

Save as the above, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 2010.

SECURITIES TRANSACTIONS BY DIRECTORS

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. Following specific enquiry by the Company, all directors of the Company confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2010.

AUDIT COMMITTEE

The Audit Committee, comprises the three independent non-executive directors of the Company, namely, Mr. Chong Chi Wah, Mr. Cai Weican and Mr. Wu Jianhua, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Group's audited consolidated financial statements for the year ended 31 December 2010 have been reviewed and approved by the Audit Committee, who is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all legal requirements, and that adequate disclosures have been made.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 28 April 2011. A notice of the annual general meeting will be issued and disseminated to shareholders in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.sijia.hk). The annual report containing all the information required by the Listing Rules will be despatched to the shareholders and available on the same websites in due course.

By Order of the Board
Sijia Group Company Limited
Lin Shengxiong
Chairman

Hong Kong, 15 March 2011

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