Sijia Group Company Limited
思嘉集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1863)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

FINANCIAL HIGHLIGHTS

- Revenue increased by 21.9% to RMB585.5 million
- Gross profit increased by 23.7% to RMB278.4 million
- Profit attributable to equity holders of the Company increased by 19.1% to RMB174.9 million
- Basic earnings per share was RMB21.11 cents

UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of Sijia Group Company Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group" or "Sijia Group") for the six months ended 30 June 2011, together with the comparative figures for the corresponding period in 2010. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Notes	For the six months ended 30 June **2011** **(Unaudited)** **RMB'000**	 2010 (Unaudited) RMB'000
REVENUE	3	**585,503**	480,507
Cost of sales		**(307,079)**	(255,341)
Gross profit		**278,424**	225,166
Other income and gains	3	**2,391**	2,268
Selling and distribution costs		**(8,670)**	(4,775)
Administrative expenses		**(47,884)**	(44,201)
Other expenses		**(2,582)**	(716)
Finance costs	4	**(840)**	(1,355)
PROFIT BEFORE TAX	5	**220,839**	176,387
Income tax expense	6	**(46,068)**	(29,454)
PROFIT FOR THE PERIOD		**174,771**	146,933
Attributable to:			
Equity holders of the parent		**174,945**	146,933
Non-controlling interests		**(174)**	–
		174,771	146,933
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT:			
Basic:			
– For profit for the period	7	**21.11 cents**	21.76 cents
Diluted:			
– For profit for the period		**21.00 cents**	21.76 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	**174,771**	146,933
Exchange differences on translation of foreign operations	**(1,529)**	(3,604)
Other comprehensive income for the period, net of tax	**(1,529)**	(3,604)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**173,242**	143,329
Attributable to:		
Equity holders of the parent	**173,416**	143,329
Non-controlling interests	**(174)**	–
	173,242	143,329

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

	Notes	**30 June 2011 (Unaudited) RMB'000**	31 December 2010 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**466,998**	376,205
Prepaid land lease payments		**5,288**	5,305
Intangible assets		**6,356**	5,058
Advance payments for property, plant and equipment		**378,835**	329,725
Available-for-sale investment		**4,140**	4,140
Deferred tax assets		**5,405**	787
Total non-current assets		**867,022**	721,220
CURRENT ASSETS			
Inventories		**162,577**	55,370
Trade and notes receivables	8	**296,700**	147,118
Prepayments, deposits and other receivables		**105,384**	37,220
Pledged deposits		**30,677**	22,109
Cash and cash equivalents		**87,342**	333,857
Total current assets		**682,680**	595,674
CURRENT LIABILITIES			
Trade and bills payables	9	**127,628**	80,318
Other payables and accruals		**32,372**	12,992
Interest-bearing bank borrowings		**35,000**	15,000
Deferred income		**360**	360
Due to a related party		**73**	80
Tax payable		**29,518**	1,681
Total current liabilities		**224,951**	110,431
NET CURRENT ASSETS		**457,729**	485,243
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,324,751**	1,206,463
NON-CURRENT LIABILITIES			
Deferred income		**3,030**	3,210
Deferred tax liabilities		**16,363**	6,267
Total non-current liabilities		**19,393**	9,477
Net assets		**1,305,358**	1,196,986
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	10	**728**	728
Reserves		**1,299,804**	1,126,388
Proposed final dividends		**–**	69,870
		1,300,532	1,196,986
Non-controlling interests		**4,826**	–
Total equity		**1,305,358**	1,196,986

1.1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required for a full set of financial statements. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2010 except for the adoption of new and revised standards, interpretations and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA for the first time for the current period as disclosed in note 1.2 below. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

1.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period condensed interim financial statements.

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*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
HKFRSs (Amendments)	Improvement to HKFRSs 2010

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

1.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [1]
HKFRS 9	*Financial Instruments* [4]
HKFRS 10	*Consolidated Financial Statements* [4]
HKFRS 11	*Joint Arrangements* [4]
HKFRS 12	*Disclosure of Interests in Other Entities* [4]
HKFRS 13	*Fair Value Measurement* [4]
HKAS 1 (Revised)	*Presentation of Financial Statements* [3]
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets [2]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits* [4]
HKAS 27 (Revised)	*Separate Financial Statements* [4]
HKAS 28 (Revised)	*Investments in Associates and Joint Ventures* [4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] 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 HKFRSs upon initial application, certain of which may be relevant to the Group's operation and may result in changes in the Group's accounting policies, and changes in presentation and measurement of certain items of the Group's financial information.

2. OPERATING SEGMENT INFORMATION

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

All of the non-current assets of the Group were located in the People's Republic of China ("the PRC") during the six months ended 30 June 2011 and 2010.

Geographical information

For the six months ended 30 June 2011

	PRC RMB'000	Non-PRC RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	**526,232**	**59,271**	**585,503**
Other segment information:			
Non-current assets	**857,477**	**–**	**857,477**

For the six months ended 30 June 2010

	PRC RMB'000	Non-PRC RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	472,104	8,403	480,507
Other segment information:			
Non-current assets	350,137	–	350,137

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

No revenue from transactions with a single customer amounted to more than 10% of the Group's total revenue.

3. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended 30 June	
	2011 **(Unaudited)** **RMB'000**	2010 (Unaudited) RMB'000
Revenue		
Sale of goods	**585,503**	480,507
Other income and gains		
Bank interest income	**1,511**	516
Government subsidies	**726**	1,668
Sale of raw materials	**112**	–
Others	**42**	84
	2,391	2,268

4. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans	**840**	1,355

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	**278,754**	225,594
Depreciation	**12,750**	4,852
Amortization of prepaid land lease payments	**59**	48
Amortization of intangible assets	**512**	43
Research and development costs	**31,088**	21,160
Operating lease expenses	**1,154**	525
(Gain)/Loss on disposal of items of property, plant and equipment	**(1)**	481
Auditors' remuneration	**1,475**	1,026
Foreign exchange differences, net	**2,519**	180
Bank interest income	**(1,511)**	(516)

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% for the period ended 30 June 2011 on the estimated assessable profits arising in Hong Kong during the period. No provision for income tax has been made as Sijia International Holding Limited ("HK Sijia") had no taxable income during the period.

The income tax expenses of the Group for the six months ended 30 June 2011 and 2010 are analyzed as follows:

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Mainland China		
Charge for the period	**40,590**	28,634
Deferred	**5,478**	820
Total tax charge for the period	**46,068**	29,454

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

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2011 attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 828,831,000 in issue during the period (six months ended 30 June 2010: 675,347,000).

The calculation of diluted earnings per share is based on the profit for the six months ended 30 June 2011 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 six months ended 30 June 2011, 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:

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations	**174,945**	146,933

	Number of shares For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculations	**828,831**	675,347
Effect of dilution – weighted average number of ordinary shares:		
Share options	**4,314**	–
	833,145	675,347

8. TRADE AND NOTES RECEIVABLES

	30 June 2011	31 December 2010
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Trade receivables	**296,400**	147,118
Notes receivables	**300**	–
	296,700	147,118

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month, 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 minimize 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 Group's trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
1 to 30 days	**130,429**	83,594
31 to 60 days	**78,536**	40,040
61 to 90 days	**15,781**	13,219
91 to 360 days	**71,954**	10,265
	296,700	147,118

9. TRADE AND BILLS PAYABLES

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Trade payables	**25,377**	16,079
Bills payable	**102,251**	64,239
	127,628	80,318

An aged analysis of the Group's trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
1 to 30 days	**47,459**	23,321
31 to 60 days	**34,480**	16,143
61 to 90 days	**22,881**	17,476
91 to 180 days	**18,736**	21,106
181 to 360 days	**980**	2,160
361 to 720 days	**3,092**	112
	127,628	80,318

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

10. SHARE CAPITAL

	Notes	Number of shares	RMB'000
Authorized			
Ordinary shares of HK$0.001 each			
At 31 December 2010 and 1 January 2011	(i)	2,000,000,000	1,760
Increase in authorized share capital		–	–
At 30 June 2011		2,000,000,000	1,760
Issued and fully paid:			
At 31 December 2010 and 1 January 2011	(ii)	828,831,000	728
Increase in share capital		–	–
At 30 June 2011		828,831,000	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 authorized to issue up to 380,000,000 shares of HK$0.001 each. On the same date, one subscriber share with the par value of HK$0.001 was transferred to Hopeland International and 9,999 shares with the par value of HK$0.001 were further allotted and issued to Hopeland International.

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

(ii) Pursuant to a resolution passed on 15 December 2009, the Company allotted and issued 99,990,000 shares with the 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.

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 capitalization 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.

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 issuance 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 issuance expenses, of HK94,566,000 (equivalent to approximately RMB82,773,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Corporate Profile

Sijia Group Company Limited (the "Company") and its subsidiaries (the "Group" or "Sijia Group") is a recognised industry leader in the People's Republic of China (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 headquarters 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 membrane, 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

For the period under review, Sijia Group generated the most revenue from the Reinforced Materials which accounted for 60.4% (2010: 60.7%) of total revenue. Local sales continued to be our major source of revenue, representing 89.9% (2010: 98.3%) of the total revenue while export sales only accounted for 10.1% (2010: 1.7%) 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

For the period under review, revenue from Reinforced Materials amounted to RMB353.9 million which accounted for 60.4% of total revenue, with sales up 21.4%. The increase was primarily attributable to the increase in production capacity through installing a new lamination production line in the second half of 2010, primarily used in the manufacturing of Reinforced Materials. In addition, there was increase in sale volume across Reinforced Materials products due to greater demand for such Reinforced Materials and also due to increase in marketing efforts. The launch of New Materials including architectural membrane, waterproofing membrane and TPU membrane contributed about RMB26.6 million, RMB14.8 million and RMB10.0 million in revenue respectively for the period under review.

In the first half of the year, another 3 patents were officially granted, including red mud composite membrane and its production process, which are very important to the Group since red mud biogas materials is one of our focuses. As at 30 June 2011, our Group owns a total of 57 patents with 8 on innovations, 31 on new applications and 18 on exterior designs.

In addition, the Group has actively participated in Technical Textiles and Nonwovens (Techtextil) Fair in Frankfurt, Germany and secured contracts amounted to about RMB30.0 million on the Reinforced Materials including inflatable materials, TPU membrane, waders and protective garment materials.

Conventional Materials

For the period under review, revenue from the conventional materials (the "Conventional Materials") amounted to RMB68.4 million which accounted for 11.7% of total revenue, with sales up 30.0%.

End Products

For the period under review, revenue from the End Products amounted to RMB163.2 million which accounted for 27.9% of total revenue, with sales up 19.7%, due to strong market demand. During the period, we set up 3 local sales offices mainly for the sales of our End Products in Nanjing, Shenzhen and Yiwu.

- **Outdoor Leisure Sports Consumer Market**

  The Group has actively participated in China (Shanghai) International Boat Show and China International Occupational Safety & Health Goods Expo and secured contracts amounted to RMB20 million and RMB50 million respectively on the End Products including inflatable boat, wader and protective garment and life-saving supplies.

- **New Energy Market**

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

  Sijia Group offered both the Reinforced Materials and the End Products for the biogas tank business. For the biogas tank business, sales was up approximately 4.2% when compared with same period of 2010. The growth in sales gain was led by our strengths in research and development (the R&D), strong market demand and government encouragement coupled with its favourable policies. For the period under review, the production and sales of biogas tank Reinforced Materials and End Products accounted for RMB32.9 million, or 5.6% and RMB43.6 million, or 7.5% (2010: RMB34.3 million, or 7.1% and RMB39.2 million, or 8.2%) of total revenue respectively. Compared with traditional biogas tanks, 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

For the period under review, R&D costs amounted to RMB31.1 million, or 5.3% of revenue (2010: RMB21.1 million, or 3.6% of revenue). The production and sale of our New Materials including architectural membrane, waterproofing membrane and TPU membrane were launched in the first half of 2011.

We believe that our on-going R&D efforts are critical to the maintenance of our long-term competitiveness, customer loyalty and our ability to attract new customers and develop new markets. We plan to continue dedicating resources to the R&D activities aiming to lower the cost of raw materials, streamline manufacturing processes, increase production capacities, and develop high value-added New Materials.

FINANCIAL REVIEW

Financial Results

Revenue

Revenue for the period under review was RMB585.5 million, an increase of RMB105.0 million, or 21.9%, compared to revenue of RMB480.5 million for the same period last year. The increase was primarily attributable to the increase in production capacity, greater market demand, launch of the New Materials and increase in marketing effort.

During the period under review, the sales of Reinforced Materials increased RMB62.3 million, or 21.4%, to RMB353.9 million compared to RMB291.6 million for the same period last year. The sales of Reinforced Materials increased the most in architectural membrane, followed by waterproofing membrane, inflatable materials and TPU membrane. These increases were due primarily to the launch of new products and increase in demand on our Reinforced Materials. On the other hand, the sale of Conventional Materials increased RMB15.8 million, or 30.0%, to RMB68.4 million compared to RMB52.6 million for the same period last year.

During the period under review, the sales of the End Products increased RMB26.9 million, or 19.7%, to RMB163.2 million compared to RMB136.3 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 the first half of 2011 and 2010, is shown below:-

	For the six months ended 30 June			
	2011		2010	
	(RMB million)	**%**	(RMB million)	%
Reinforced Materials	**353.9**	**60.4**	291.6	60.7
Conventional Materials	**68.4**	**11.7**	52.6	10.9
End Products	**163.2**	**27.9**	136.3	28.4
	585.5	**100.0**	480.5	100.0

The split of these revenues based on geographically locations compared to the first half of 2011 and 2010, is shown below:-

	For the six months ended 30 June			
	2011		2010	
	(RMB million)	**%**	(RMB million)	%
PRC	**526.2**	**89.9**	472.1	98.3
Non-PRC	**59.3**	**10.1**	8.4	1.7
	585.5	**100.0**	480.5	100.0

Gross Profit and Gross Margin

Gross profit increased to RMB278.4 million for the period under review (2010: RMB225.2 million). The increase was primarily a result of increase in sale of the Reinforced Materials being higher than the corresponding increase in cost of sale for the period under review. The gross profit margin was 47.6% for the period under review (2010: 46.9%). Due to the continuous refinement of product mix to offer more of the Reinforced Materials and the End Products which commanded higher gross profit margin as compared with that of the Conventional Materials, a better gross profit margin was maintained. The increase was also attributable to the increase in overall gross profit margin for the Reinforced Materials to about 45.9% for the period under review (2010: 44.4%) as the Group was able to increase its unit selling price for the Reinforced Materials due to increased demand. The launch of new models of Reinforced Materials with improved performance characteristics, which were able to be priced higher as part of the Group's marketing strategy. In addition, the launch of architectural membrane, waterproofing membrane and TPU membrane for the period under review contributed to the increase in gross profit margin for the Reinforced Materials. The gross profit margin of End Products maintained at about 63.7% for the period under review (2010: 63.8%).

The split of these gross profit margin based on products compared to the first half of 2011 and 2010, is shown below.

	2011	2010
	%	%
Reinforced Materials	**45.9**	44.4
Conventional Materials	**17.5**	16.6
End Products	**63.7**	63.8
	47.6	46.9

Selling and Distribution Costs

For the period under review, selling and distribution costs increased about RMB3.9 million or about 81.3% to RMB8.7 million, or 1.5% of revenue for the period under review, from RMB4.8 million, or 1.0% 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 RMB2.0 million (2010: RMB0.9 million) and RMB2.0 million (2010: RMB0.9 million) respectively for the period under review, as we stepped up our marketing efforts to promote our product and increase our market shares.

Administrative Expenses

For the period under review, administrative expenses increased about RMB3.7 million or about 8.3% to RMB47.9 million, or 8.2% of revenue for the period under review, from RMB44.2 million, or 9.2% of revenue for the same period last year. The increase in administrative expenses was primarily attributable to increased R&D expenses incurred to improve quality of existing products and purchase of raw materials for development of New Materials. The Group also incurred one-off legal and professional fees for the global offering of RMB11.7 million in 2010 as compared to nil for the period under review.

Finance Costs

Finance cost for the period under review was RMB0.8 million (2010: RMB1.4 million). This equates to 0.1% and 0.3% of revenue for the first half of 2011 and 2010 respectively.

Interest Income

Interest income amounted to RMB1.5 million for the period under review (2010: RMB0.5 million).

Income Tax

For the period under review, the Group had an overall income tax expense of RMB46.1 million, or 20.9% of pre-tax income compared to the tax expense of RMB29.5 million, or 16.7% of pre-tax income for the same period last year.

Net Income

The Group generated profit attributable to owners of the parent for the period under review of RMB174.9 million, or RMB21.11 cents for basic earnings per share, compared to profit attributable to owners of the parent of RMB147.0 million, or RMB21.76 cents for basic earnings per share for the same period last year. The weighted average number of common shares outstanding at 30 June 2011 was 828,831,000 compared to 675,347,000 at 30 June 2010.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to RMB1,305.4 million, as compared to RMB1,197.0 million at 31 December 2010, an increase of 9.1%.

Financial Position

As at 30 June 2011, the Group's net gearing, expressed as a percentage of total interest-bearing liabilities to total assets, was at 2.3% as compared to 1.1% as at 31 December 2010.

Bank Borrowings

As at 30 June 2011, the Group had cash and bank balances of RMB87.3 million (31 December 2010: RMB333.9 million), most of which were denominated in Hong Kong dollars or Renminbi. The Group had interest-bearing bank borrowings of RMB35.0 million (31 December 2010: RMB15.0 million) while total banking facilities amounted to RMB180.0 million at the moment (31 December 2010: RMB83.0 million).

Working Capital

Total inventory was at RMB162.6 million as compared to RMB55.4 million as at 31 December 2010. Average inventories turnover (days) was at 65 days (31 December 2010: 29 days). The increase in the average inventories turnover (days) was due to the Group's strategy to maintain a higher level of inventories in anticipating the production schedule in the second half of the year.

Average trade receivables turnover (days) was at 69 days (31 December 2010: 44 days). The Group strikes to exercise due care in managing credit exposure. The increase in the average trade receivables turnover (days) was due to the Group's strategy to further extend the credit terms to certain good standing customers by 30 days to meet their demand in the period under review. We generally require our customers to make full payment upon delivery of products, except that for those long-term customers who place orders of substantial amounts and who have a good payment record, we normally accept deferred payment. With our comprehensive credit control system, we seek to maintain strict control over and closely monitor our outstanding receivables to minimise credit risk. The trade receivables balances are reviewed regularly by our senior management.

Average trade payables turnover (days) was at 62 days (31 December 2010: 43 days). The increase in the average trade payable turnover (days) was attributable to the increase in purchase to cope with the increase in sales of our Group. In addition, our company settled purchase cost by issuing bills.

Overall, the Group maintained a current ratio (times) of 3.0 as at 30 June 2011 (31 December 2010: 5.4).

Notes:

The calculation of average inventories turnover (days) is based on average of opening and closing inventories balances divided by cost of sales and multiplied by the number of days of the relevant period.

The calculation of average trade receivables turnover (days) is based on average of opening and closing balances of trade receivables divided by turnover and multiplied by the number of days of the relevant period.

The calculation of average trade payables turnover (days) is based on average of opening and closing balances of trade and bills payables divided by cost of sales and multiplied by the number of days of the relevant period.

The calculation of current ratio (times) is based on total current assets divided by total current liabilities as at the relevant period end.

Capital Expenditure

For the period under review, the Group incurred capital expenditure of approximately RMB103.6 million mainly for the purchase of production facilities and the construction of second phase of Fuzhou factory with workshops, warehouses, offices and staff quarters. Advanced payment for property, plant and equipment of RMB49.1 million was made mainly for the purchase of production facilities which will be delivered to our Fuzhou and Shanghai factories in the second half of the year. All of which were financed by the Group's internal resources and the proceeds of its global offering.

Capital Commitments and Contingent Liabilities

As at 30 June 2011, total capital commitments amounted to RMB120.4 million (31 December 2010: RMB119.6 million). There were no material contingent liabilities or off balance sheet obligations.

Human Resources
The Group employed a total of 1,338 employees (31 December 2010: 985 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 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.

Outlook
Architectural membrane is increasingly used for public architectures requiring wide-open column-less space, such as stadiums, exhibition halls, and transportation terminals, because of its light weight, great strength, and self-cleaning feature. The material is now rarely produced in China due to technology and equipment shortage. Sijia has completed the sampling of narrow width products and got positive results from clients. It has customised and ordered a production line from an Italian vendor, which will be shipped once the Shanghai plant is completed.

Waterproofing membrane is a construction material used for water-proof treatment of roofs, basements, and walls. The asphalt-based materials widely used in China are toxic to produce and use. The switch to non-toxic water-proof coil is hindered by lack of production in China. Sijia's air-tightness materials and red-mud materials are similar to waterproofing membrane used in developed countries. Sijia has completed narrow-width products sampling with clients. It has customised and ordered a wide-width lamination line, which will be shipped once the Shanghai plant is completed.

TPU, which is also known as thermoplastic urethane or waterproof and breathable film, is an environmental friendly high polymer and a new sustainable material. Its occurrence made a major breakthrough for the application of waterproof and breathable surface materials. TPU not only has most of the characteristics of rubber and plastic, it also has superior integrated physical and chemical functions. Therefore, it is also regarded as future material. TPU film is made of TPU pellets and processed by using special techniques. It succeeds to the superiority of TPU and can be widely used in shoes materials, sashes, water bags and all kinds of products that directly contacted with human skin. With the increasing environmental awareness in China, TPU becomes more commonly used.

"Presently, the New Materials industry of China enjoys a powerful growth. The New Materials industrial accounts for about 30 percent of GDP with an estimated yearly average speed over 20 percent. Therefore, there is a huge space for the development." Bao Yujun, president of China Institute of Industrial Cluster says, the new material industry of China will meet a period of rapid development during the period of the "Twelfth Five-year Plan".

INTERIM DIVIDEND
The board of directors (the "Directors") does not recommend the payment of any interim dividend for the six months ended 30 June 2011 (2010: Nil).

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 six months ended 30 June 2011.

DIRECTORS' INTERESTS IN CONTRACTS
No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the reporting or at any time during the period.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

The Company is committed to maintain a high standard of corporate governance with a view of enhancing the management efficiency of the Company as well as preserve the interests of the shareholders as a whole. In the opinion of the Board, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period under review.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

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. Having made specific enquiry of the Company's directors, the directors confirmed that they have fully complied with the required standard as set out in the Model Code during the period under review.

AUDIT COMMITTEE

The audit committee, comprises the three independent non-executive directors of the Company, 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 unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 have been reviewed and approved by the Audit Committee, who is of the opinion that such accounts comply with the applicable accounting standards, the Listing Rules and all legal requirements, and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.sijia.hk). The interim 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, 16 August 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. Cai Weican and Mr. Wu Jianhua.