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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011 AND CHANGE OF CHAIRMAN OF REMUNERATION COMMITTEE

FINANCIAL HIGHLIGHTS

- Revenue increased by 24.0% to RMB1,197.1 million
- Gross profit increased by 15.8% to RMB506.1 million
- Profit attributable to equity holders of the Company increased by 51.1% to RMB328.3 million
- Basic earnings per share was RMB39.61 cents
- Proposed final dividend of HK10.0 cents per share

* *For identification purposes only*

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 2011, together with the comparative figures for 2010 as follows.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
REVENUE	*3*	**1,197,085**	965,338
Cost of sales		**(690,964)**	(528,092)
Gross profit		**506,121**	437,246
Other income and gains	*3*	**4,776**	6,367
Selling and distribution costs		**(18,024)**	(20,694)
Administrative expenses		**(80,812)**	(152,791)
Other expenses		**(5,351)**	(3,359)
Finance costs	*5*	**(3,130)**	(2,112)
PROFIT BEFORE TAX	*4*	**403,580**	264,657
Income tax expense	*6*	**(75,790)**	(47,411)
PROFIT FOR THE YEAR		**327,790**	217,246
Attributable to:			
Owners of the parent		**328,277**	217,246
Non-controlling interests		**(487)**	–
		327,790	217,246
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic:			
– For profit for the year		**39.61 cents**	28.86 cents
Diluted:			
– For profit for the year		**39.61 cents**	28.67 cents

Details of the dividend proposed for the year are disclosed in note 7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	2011 *RMB'000*	2010 *RMB'000*
PROFIT FOR THE YEAR	**327,790**	217,246
OTHER COMPREHENSIVE LOSS		
Exchange differences on translation of foreign operations	**(1,752)**	(9,861)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(1,752)**	(9,861)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**326,038**	207,385
Attributable to:		
Owners of the parent	**326,525**	207,385
Non-controlling interests	**(487)**	–
	326,038	207,385

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**776,389**	376,205
Prepaid land lease payments		**30,661**	5,305
Intangible assets		**5,761**	5,058
Advance payments for property, plant and equipment		**174,065**	329,725
Available-for-sale investment		**4,140**	4,140
Deferred tax assets		**3,754**	787
Total non-current assets		**994,770**	721,220
CURRENT ASSETS			
Inventories		**106,989**	55,370
Trade receivables	*9*	**245,962**	147,118
Prepayments, deposits and other receivables		**115,984**	37,220
Pledged deposits		**25,956**	22,109
Cash and cash equivalents		**242,070**	333,857
Total current assets		**736,961**	595,674
CURRENT LIABILITIES			
Trade and bills payables	*10*	**104,635**	80,318
Other payables and accruals		**38,557**	12,992
Interest-bearing bank borrowings		**89,766**	15,000
Deferred income		**360**	360
Tax payable		**22,997**	1,681
Due to a related party		**119**	80
Total current liabilities		**256,434**	110,431
NET CURRENT ASSETS		**480,527**	485,243
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,475,297**	1,206,463
NON-CURRENT LIABILITIES			
Deferred income		**2,850**	3,210
Deferred tax liabilities		**14,293**	6,267
Total non-current liabilities		**17,143**	9,477
Net assets		**1,458,154**	1,196,986
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*11*	**728**	728
Reserves		**1,385,504**	1,126,388
Proposed final dividend	*7*	**67,409**	69,870
		1,453,641	1,196,986
Non-controlling interests		**4,513**	–
Total equity		**1,458,154**	1,196,986

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

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 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*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

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 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* [6]
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 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* [3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* [4]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [5]
HKAS 19 (2011)	*Employee Benefits* [4]
HKAS 27 (2011)	*Separate Financial Statements* [4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [4]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [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
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

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 *RMB'000*	Non-PRC *RMB'000*	Total *RMB'000*
Year ended 31 December 2011			
Revenue from external customers	**967,510**	**229,575**	**1,197,085**
Non-current assets	**986,876**	**–**	**986,876**
Year ended 31 December 2010			
Revenue from external customers	949,207	16,131	965,338
Non-current assets	716,293	–	716,293

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 (2010: 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 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:

	2011 *RMB'000*	2010 *RMB'000*
Revenue		
Sale of goods	**1,197,085**	965,338
Other income and gains		
Bank interest income	**2,067**	1,904
Government subsidies	**2,319**	4,288
Gains on disposal of items of property, plant and equipment	**11**	–
Gross rental income	**136**	174
Dividend income from available-for-sale unlisted investment	**4**	–
Others	**239**	1
	4,776	6,367

4. PROFIT BEFORE TAX

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

	Notes	2011 RMB'000	2010 RMB'000
Cost of inventories sold		**619,054**	488,500
Depreciation		**28,677**	10,823
Amortisation of prepaid land lease payments		**339**	96
Amortisation of intangible assets		**1,125**	471
Research and development costs		**45,339**	97,909
Operating lease expenses		**3,643**	1,784
(Gain)/loss on disposal of items of property, plant and equipment		**(11)**	572
Auditors' remuneration		**2,699**	2,358
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		**30,581**	22,993
Pension scheme contributions		**6,747**	952
Equity-settled share option expense		**–**	13,101
Staff welfare expenses		**2,416**	3,558
		39,744	40,604
Foreign exchange differences, net		**5,092**	2,450
Bank interest income	*3*	**(2,067)**	(1,904)
Dividend income from available-for-sale unlisted investment	*3*	**4**	–

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2011 RMB'000	2010 RMB'000
Interest on bank loans wholly repayable within five years	**3,130**	2,112

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% (2010: 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 (2010: 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	
	2011	2010
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**70,731**	45,112
Deferred	**5,059**	2,299
Total tax charge for the year	**75,790**	47,411

7. DIVIDEND

	2011	2010
	RMB'000	*RMB'000*
Proposed final – HK10.0 cents (approximately RMB8.1 cents) (2010: HK10.0 cents (approximately RMB8.4 cents)) per ordinary share	**67,409**	69,870

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The proposed final dividend will be payable in cash with a scrip dividend alternative.

8. 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 828,831,000 (2010: 752,720,000) in issue during the year.

The calculation of diluted earnings per share is based on the profit for the prior 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.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the year.

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

	2011	2010
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**328,277**	217,246

	Number of shares	
	2011	2010
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	**828,831**	752,720
Effect of dilution – weighted average number of Ordinary shares:		
Share options	**–**	4,012
Warrants	**–**	982
	828,831	757,714

9. TRADE RECEIVABLES

	Group	
	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**245,962**	147,118

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. The Group does not hold any collateral or other credit enhancements over these balances. 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:

	Group	
	2011	2010
	RMB'000	*RMB'000*
Within 1 month	**143,204**	83,594
1 to 2 months	**57,109**	40,040
2 to 3 months	**19,725**	13,219
Over 3 months	**25,924**	10,265
	245,962	147,118

10. TRADE AND BILLS PAYABLES

	Group 2011 RMB'000	2010 RMB'000
Trade payables	**20,457**	16,079
Bills payable	**84,178**	64,239
	104,635	80,318

At 31 December 2011, bills payable of approximately RMB84,178,000 (2010: RMB64,239,000) were secured by time deposits amounting to approximately RMB25,956,000 (2010: RMB22,109,000).

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

	Group 2011 RMB'000	2010 RMB'000
Within 1 month	**39,764**	23,321
1 to 2 months	**20,490**	16,143
2 to 3 months	**14,284**	17,476
Over 3 months	**30,097**	23,378
	104,635	80,318

The trade payables are non-interest-bearing and are normally settled on 60 days' terms.

11. SHARE CAPITAL

Shares

	2011 RMB'000	2010 RMB'000
Authorised:		
2,000,000,000 (2010: 2,000,000,000) ordinary shares of HK$0.001 each	**1,760**	1,760
Issued and fully paid:		
828,831,000 (2010: 828,831,000) ordinary shares of HK$0.001 each	**728**	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 each, 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 note 29 to the financial statements in the 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.

12. EVENT AFTER THE REPORTING PERIOD

On 21 March 2012, the board of directors of the Company proposed a final dividend of HK10.0 cents per ordinary share totalling approximately HK$82,883,000 (equivalent to RMB67,409,000) for the year ended 31 December 2011, which is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting (note 7). The proposed final dividend will be payable in cash with a scrip dividend alternative.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Corporate Profile

Sijia Group Company Limited and its subsidiaries 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 (the "R&D") 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 Fuzhou and Shanghai, 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

For the year under review, Sijia Group generated the most revenue from the Reinforced Materials which accounted for 53.7% (2010: 59.9%) of total revenue. Local sales continued to be our major source of revenue, representing 80.8% (2010: 98.3%) of the total revenue while export sales only accounted for 19.2% (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 year under review, revenue from Reinforced Materials amounted to RMB642.8 million which accounted for 53.7% of total revenue, with sales up 11.1%. The increase was primarily attributable to the full year contribution 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 RMB48.1 million, RMB24.6

million and RMB22.9 million in revenue respectively for the year under review. As at 31 December 2011, 3 calendaring, 3 coating, 5 lamination and 4 TPU facilities are in operation.

In 2011, another 18 patents were officially granted, including red mud composite membrane and its production process, architectural membrane production process and sport flooring production technique which are very important to the Group. As at 31 December 2011, our Group owns a total of 74 patents with 17 on innovations, 39 on new applications and 18 on exterior designs.

Conventional Materials

For the year under review, revenue from the conventional materials (the "Conventional Materials") amounted to RMB141.8 million which accounted for 11.8% of total revenue, with sales up 40.1%.

End Products

For the year under review, revenue from the End Products amounted to RMB412.5 million which accounted for 34.5% of total revenue, with sales up 44.4%, due to strong overseas demand in wader and garment products. During the year, we set up 4 local sales offices mainly for the sales of our End Products in Qingdao, Nanjing, Shenzhen and Yiwu.

- **Outdoor Leisure Sports Consumer Market**

  In the second half of 2011, the Group has secured over 1 million unit orders in lifeboats and wader and protective garments to fully support for Thailand flooding.

- **New Energy Market**

  As to the End Products, the sale of biogas tank accounted for 6.5% of total revenue for the year under review.

  Sijia Group offered both the Reinforced Materials and the End Products for the biogas tank business. As to the biogas tank business, sales amounted to 138.8 million or 11.6% (2011: 136.2 million, or 14.1%) of total revenue for the year under review. Our red-mud biogas tank Reinforced Materials was included in government procurement catalog by Fujian Provincial Economic and Trade Commission (福建省經濟貿易委員會) in second half of 2011. For 2011, the sales of biogas tank Reinforced Materials and End Products accounted for RMB60.9 million, or 5.1% and RMB77.9 million, or 6.5% (2010: RMB63.5 million, or 6.6% and RMB72.7 million, or 7.5%) 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 year under review, R&D costs amounted to RMB45.3 million, or 3.8% of revenue (2010: RMB97.9 million, or 10.1% of revenue). The production and sale of our New Materials including architectural membrane, waterproofing membrane and TPU membrane have been 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 year under review was RMB1,197.1 million, an increase of RMB231.7 million, or 24.0%, compared to revenue of RMB965.3 million for 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 year under review, the sales of Reinforced Materials increased RMB64.3 million, or 11.1%, to RMB642.8 million compared to RMB578.5 million for last year. The sales of Reinforced Materials increased the most in architectural membrane, followed by waterproofing membrane, TPU membrane and sport flooring materials. 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 RMB40.6 million, or 40.1%, to RMB141.8 million compared to RMB101.2 million for last year.

During the year under review, the sales of the End Products increased RMB126.9 million, or 44.4%, to RMB412.5 million compared to RMB285.6 million for last year. The increase was due primarily to increase in demand on wader and garment product, biogas tank and inflatable boat.

The split of these revenue based on products compared to 2011 and 2010, is shown below:-

	For the year ended 31 December			
	2011		2010	
	(RMB million)	**%**	*(RMB million)*	%
Reinforced Materials	**642.8**	**53.7**	578.5	59.5
Conventional Materials	**141.8**	**11.8**	101.2	10.5
End Products	**412.5**	**34.5**	285.6	29.6
	1,197.1	**100.0**	965.3	100.0

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

	For the year ended 31 December			
	2011		2010	
	(RMB million)	**%**	*(RMB million)*	%
PRC	**967.5**	**80.8**	949.2	98.3
Non-PRC	**229.6**	**19.2**	16.1	1.7
	1,197.1	**100.0**	965.3	100.0

Gross Profit and Gross Margin

Gross profit increased to RMB506.1 million for the year under review (2010: RMB437.2 million). Gross profit margin was 42.3% for the year under review (2010: 45.3%). The gross profit margin for Reinforced Materials was 41.9% for the year under review (2010: 42.5%) as a result of the increase in raw materials costs. For End Products, the gross profit margin was 52.3% for the year under review (2010: 61.4%). The decrease in gross profit margin of End Product was mainly due to a worsening global economic environment as we expanded our export business in the 2011.

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

	2011	2010
	%	%
Reinforced Materials	**41.9**	42.5
Conventional Materials	**15.4**	16.1
End Products	**52.3**	61.4
	42.3	45.3

Selling and Distribution Costs

For the year under review, selling and distribution costs decreased about RMB2.7 million or about 12.9% to RMB18.0 million, or 1.5% of revenue for the year under review, from RMB20.7 million, or 2.1% of revenue for last year. The decrease in selling and distribution costs was primarily due to increases in transportation expenses and staff costs amounted to RMB5.4 million (2010: RMB2.3 million) and RMB4.9 million (2010: RMB2.5 million) respectively while the Group did not incur marketing consultant fee (2010: 9.5 million) for the year under review, while we stepped up our marketing efforts to promote our product and increase our market shares.

Administrative Expenses

For the year under review, administrative expenses decreased about RMB72.0 million or about 47.1% to RMB80.8 million, or 6.8% of revenue for the year under review, from RMB152.8 million, or 15.8% of revenue for last year. The decrease in administrative expenses was primarily attributable to decreased R&D expenses incurred due to the commercialisation and mass production of our New Materials which required lesser R&D effort than at R&D stage in 2010. The Group also incurred one-off legal and professional fees for the global offering and share option expenses amounted to RMB14.9 million and 13.1 million respectively in 2010 as compared to nil for the year under review.

Finance Costs

Finance cost for the year under review was RMB3.1 million (2010: RMB2.1 million). This equates to 0.3% and 0.2% of revenue for 2011 and 2010 respectively.

Interest Income

Interest income amounted to RMB2.1 million for the year under review (2010: RMB1.9 million).

Income Tax

For the year under review, the Group had an overall income tax expense of RMB75.8 million, or 18.8% of pre-tax income compared to the tax expense of RMB47.4 million, or 17.9% of pre-tax income for last year.

Net Income

The Group generated profit attributable to owners of the parent for the year under review of RMB328.3 million, or RMB39.61 cents for basic earnings per share, compared to profit attributable to owners of the parent of RMB217.2 million, or RMB28.86 cents for basic earnings per share for last year. The weighted average number of common shares outstanding at 31 December 2011 was 828,831,000 compared to 752,720,000 at 31 December 2010.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to RMB1,458.1 million, as compared to RMB1,197.0 million at 31 December 2010, an increase of 21.8%.

Financial Position

As at 31 December 2011, the Group's gearing, expressed as a percentage of total interest-bearing liabilities to total assets, was at 5.2% as compared to 1.1% as at 31 December 2010.

Bank Borrowings

As at 31 December 2011, the Group had cash and bank balances of RMB242.1 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 RMB89.8 million (31 December 2010: RMB15.0 million) while total banking facilities amounted to RMB310.0 million (31 December 2010: RMB83.0 million).

Working Capital

Total inventory was at RMB107.0 million as compared to RMB55.4 million as at 31 December 2010. Average inventories turnover (days) was at 43 days (31 December 2010: 29 days).

Average trade receivables turnover (days) was at 60 days (31 December 2010: 44 days). The Group strikes to exercise due care in managing credit exposure. 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 49 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.

Overall, the Group maintained a current ratio (times) of 2.9 as at 31 December 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 year under review, the Group incurred capital expenditure of approximately RMB274.8 million mainly for the purchase of production facilities and the construction of Shanghai and second phase of Fuzhou factory with workshops, warehouses, offices and staff quarters. Advanced payment for property, plant and equipment of RMB174.1 million was made mainly for the purchase of production facilities which will be delivered to Shanghai factories in the first half of 2012. All of which were financed by the Group's internal resources.

Capital Commitments and Contingent Liabilities

As at 31 December 2011, total capital commitments amounted to RMB87.7 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 1,022 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.

PROSPECTS

Looking forward, as the leader in New Materials industry, the Group faces huge opportunities from promising prospect of products market during the period of Twelfth Five-Year Plan, and the Twelfth Five-Year Development Plan for New Materials Industry also offers preferential policies and guideline regulations for New Materials industry, which will definitively further promote the development of the Group. Leveraging on Sijia Group's competitive advantages, the Group will not fail to meet market expectation and strives to create a better return again for shareholders in 2012.

FINAL DIVIDEND

The Board proposed to pay a final dividend of HK10 cents for the year ended 31 December 2011 (the "**Final Dividend**"). The Final Dividend will be payable in cash with a scrip dividend alternative (the "**2011 Final Scrip Dividend Scheme**"). The 2011 Final Scrip Dividend Scheme is subject to (a) shareholders' approval at the annual general meeting of the Company to be held on Tuesday, 22 May 2012 (the "**AGM**"); and (b) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued under the 2011 Final Scrip Dividend Scheme. Full details of the 2011 Final Scrip Dividend Scheme will be set out in a circular to be dispatched to the shareholders.

ANNUAL GENERAL MEETING

The AGM of the Company will be held at our headquarters in the PRC at Sijia Industrial Garden Zone, Huanxi Town, Jinan District, Fuzhou, Fujian, PRC on Tuesday, 22 May 2012 at 3:00 p.m. The notice of the AGM, the accompanying circular and the proxy form will be dispatched to shareholders in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

i. from Wednesday, 16 May 2012 to Tuesday, 22 May 2012 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 15 May 2012; and

ii. from Tuesday, 29 May 2012 to Thursday, 31 May 2012 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the Final Dividend. In order to qualify for the proposed Final Dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 28 May 2012.

AUDIT COMMITTEE

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2011.

COMPLIANCE WITH THE CODE PROVISIONS OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the financial year ended 31 December 2011, the Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2011.

CHANGE OF CHAIRMAN OF REMUNERATION COMMITTEE

In order to comply with the forthcoming amendments to the Listing Rules which will be effective on 1 April 2012, Mr. Lin Shengxiong will cease to be the chairman of the remuneration committee of the Company with effect from 21 March 2012 but remains as a member of the remuneration committee of the Company. Mr. Wu Jianhua, the existing independent non-executive directors of the Company, be appointed as the chairman of the remuneration committee of the Company with effect from 21 March 2012.

PUBLICATION OF ANNUAL REPORT ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The annual report for the year ended 31 December 2011 will be published on the HKExnews website of The Stock Exchange of Hong Kong Limited at http://www.hkexnews.hk in due course.

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

Hong Kong, 21 March 2012

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.