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 2012

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 2012, together with the comparative figures for the corresponding period in 2011. 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 2012

		For the six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
REVENUE	3	**586,500**	585,503
Cost of sales		**(385,309)**	(307,079)
Gross profit		**201,191**	278,424
Other income and gains	3	**2,991**	2,391
Selling and distribution costs		**(8,071)**	(8,670)
Administrative expenses		**(36,960)**	(47,884)
Other expenses		**(1,203)**	(2,582)
Finance costs	4	**(5,620)**	(840)
PROFIT BEFORE TAX	5	**152,328**	220,839
Income tax expense	6	**(26,941)**	(46,068)
PROFIT FOR THE PERIOD		**125,387**	174,771
Attributable to:			
Equity holders of the parent		**125,404**	174,945
Non-controlling interests		**(17)**	(174)
		125,387	174,771
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT:			
Basic			
– For profit for the period	7	**15.13 cents**	21.11 cents
Diluted:			
– For profit for the period		**15.13 cents**	21.00 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	**125,387**	174,771
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(109)**	(1,529)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(109)**	(1,529)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**125,278**	173,242
Attributable to:		
Equity holders of the parent	**125,295**	173,416
Non-controlling interests	**(17)**	(174)
	125,278	173,242

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

	Notes	**30 June 2012 (Unaudited) RMB'000**	31 December 2011 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**824,825**	776,389
Prepaid land lease payments		**30,370**	30,661
Intangible assets		**5,248**	5,761
Advance payments for property, plant and equipment		**267,682**	174,065
Available-for-sale investment		**4,140**	4,140
Deferred tax assets		**4,226**	3,754
Total non-current assets		**1,136,491**	994,770
CURRENT ASSETS			
Inventories		**113,638**	106,989
Trade and notes receivables	8	**289,848**	245,962
Prepayments, deposits and other receivables		**80,338**	115,984
Pledged deposits		**72,180**	25,956
Cash and cash equivalents		**368,976**	242,070
Total current assets		**924,980**	736,961
CURRENT LIABILITIES			
Trade and bills payables	9	**183,983**	104,635
Other payables and accruals		**52,876**	38,557
Interest-bearing bank borrowings		**192,540**	89,766
Deferred income		**360**	360
Dividend payables		**67,409**	–
Due to a related party		**91**	119
Tax payable		**29,576**	22,997
Total current liabilities		**526,835**	256,434
NET CURRENT ASSETS		**398,145**	480,527
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,534,636**	1,475,297

	Notes	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Deferred income		**2,490**	2,850
Deferred tax liabilities		**16,123**	14,293
Total non-current liabilities		**18,613**	17,143
Net assets		**1,516,023**	1,458,154
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**728**	728
Reserves		**1,510,799**	1,385,504
Proposed final dividend		**–**	67,409
		1,511,527	1,453,641
Non-controlling interests		**4,496**	4,513
Total equity		**1,516,023**	1,458,154

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 2011 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 below. 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 period's condensed interim financial statements.

HKFRS 1 Amendments	Amendment to HKFRS 1 *First-time Adoption of HKFRSs – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendment to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendment to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

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

Issued but not yet Effective HKRFSs

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 *Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 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

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 2012 and 2011.

Geographical information

For the six months ended 30 June 2012

	PRC **RMB'000**	**Non-PRC** **RMB'000**	**Total** **RMB'000**
Segment revenue:			
Sales to external customers	**481,746**	**104,754**	**586,500**
Other segment information:			
Non-current assets	**1,128,125**	**–**	**1,128,125**

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

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	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sale of goods	**586,500**	585,503
Other income and gains		
Government subsidies	**1,607**	726
Bank interest income	**888**	1,511
Foreign exchange gain	**325**	–
Others	**171**	154
	2,991	2,391

4. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans	**5,620**	840

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	**339,407**	278,754
Depreciation	**26,264**	12,750
Amortization of prepaid land lease payments	**450**	59
Amortization of intangible assets	**603**	512
Research and development costs	**17,264**	31,088
Operating lease expenses	**2,126**	1,154
Loss/(gain) on disposal of items of property, plant and equipment	**712**	(1)
Auditors' remuneration	**1,575**	1,475
Foreign exchange differences, net	**(325)**	2,519
Bank interest income	**(888)**	(1,511)

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 2012 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 2012 and 2011 are analyzed as follows:

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Mainland China		
Charge for the period	**25,583**	40,590
Deferred	**1,358**	5,478
Total tax charge for the period	**26,941**	46,068

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 2012 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 2011: 828,831,000).

The calculation of diluted earnings per share is based on the profit for the six months ended 30 June 2012 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 2012, 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	
	2012	2011
	(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	**125,404**	174,945

	Number of shares	
	For the six months ended 30 June	
	2012	2011
	(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**	828,831
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	4,314
	828,831	833,145

8. TRADE AND NOTES RECEIVABLES

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Trade receivables	**250,138**	245,962
Notes receivables	**39,710**	–
	289,848	245,962

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 and notes receivables as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within 1 month	**159,458**	143,204
1 to 2 months	**22,802**	57,109
2 to 3 months	**17,330**	19,725
Over 3 months	**90,258**	25,924
	289,848	245,962

9. TRADE AND BILLS PAYABLES

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Trade payables	**40,115**	20,457
Bills payable	**143,868**	84,178
	183,983	104,635

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 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within 1 month	**77,872**	39,764
1 to 2 months	**34,009**	20,490
2 to 3 months	**30,364**	14,284
Over 3 months	**41,738**	30,097
	183,983	104,635

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

10. EVENTS AFTER THE REPORTING PERIOD

Increase in share capital due to the allotment and issuance of scrip shares

On 21 March 2012, the Board proposed a final dividend of HK10 cents payable in cash with a scrip dividend alternative (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme was approved by the Company's shareholders at the annual general meeting held on 22 May 2012. 23,781,470 scrip shares was issued by the Company on 15 August 2012 and the remaining dividend of approximately HK$35,320,000 (equivalent to RMB28,906,000)) represented cash dividend.

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") production plants, 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.

Market Overview

The global economy was filled with uncertainties in the first half of year. The deepening European debt crisis had shaken investors with recession fears in Europe and its lingering effect on economies globally. The US economy, on the other hand, has been recovering at a slower-than-expected pace. Meanwhile, slowing economy growth in China, with its GDP expanded by only 7.8% in the first half of year, along with sluggish overseas demand, and rising costs created more challenging operating environment for many small to medium size enterprises. Furthermore, continued government measures to cool down the property market, depressed capital market and inflation cast negative wealth effect on the general consumer sentiment. As a result, consumer spending growth in China experienced a slowdown in momentum during the period under review.

Our Products

For the period under review, Sijia Group generated the most revenue from the Reinforced Materials which accounted for 53.3% (2011: 60.4%) of total revenue. Local sales continued to be our major source of revenue, representing 82.1% (2011: 89.9%) of the total revenue while export sales only accounted for 17.9% (2011: 10.1%) 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 RMB312.4 million which accounted for 53.3% of total revenue, with sales down 11.7%. Our Group delivered the most the wader and protective clothing materials, followed by inflatable materials, air-tightness materials and biogas tank materials. With our effort in building up brand image and reputation, the Group started to deliver inflatable and air-tightness materials to serve our high-end overseas customers. The Group's strategy is to leverage its leading marketing position and offer competitive pricing. The Group continued its business growth strategy to increase its market shares by expanding its production capacity, strengthening its research and development capabilities, and diversifying its product offerings.

In the first half of the year, a patent in waterproofing membrane production technique was officially granted. As at 30 June 2012, our Group owns a total of 75 patents with 18 on innovations, 39 on new applications and 18 on exterior designs.

Conventional Materials

For the period under review, revenue from the conventional materials (the "Conventional Materials") amounted to RMB108.7 million which accounted for 18.5% of total revenue, with sales up 58.9%.

End Products

For the period under review, revenue from the End Products amounted to RMB165.4 million which accounted for 28.2% of total revenue, with sales up 1.3%. As at end of the period, we have 17 local sales offices mainly for the promotion of our End Products.

- **Outdoor Leisure Sports Consumer Market**

  The sales of wader and protective garment clothing accounted for the largest portion of our End Product business, it stood at approximately 14.8% of our total revenue for the period under review, followed by the sales of biogas tank and inflatable boat at 8.6% and 3.3% of our total revenue for the period under review respectively. As our Group has participated in various overseas exhibitions, we explored more business opportunities in the overseas market. Our group has delivered a wider range of wader and protective garment clothing during the period. Apart from delivering wader and protective garment with our Reinforced Materials, we also developed a range of new protective garment products which can satisfy our customers with our Conventional Materials.

- **New Energy Market**

  The sales of biogas tank accounted for 8.6% 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 2.6% when compared with same period of 2011. We continued to strengthen our research and development (the R&D) to satisfy our customer. For the period under review, the production and sales of biogas tank Reinforced Materials and End Products accounted for RMB28.3 million, or 4.8% and RMB50.2 million, or 8.6% (2011: RMB32.9 million, or 5.6% and RMB43.6 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 period under review, R&D costs amounted to RMB17.3 million, or 2.9% of revenue (2011: RMB31.1 million, or 5.3% of revenue). 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 RMB586.5 million, an increase of RMB1.0 million, or 0.2%, compared to revenue of RMB585.5 million for the same period last year. The increase was primarily attributable to the increase in sales volume of certain products and a stable market demand.

During the period under review, the sales of Reinforced Materials decreased RMB41.5 million, or 11.7%, to RMB312.4 million compared to RMB353.9 million for the same period last year. The sales of Reinforced Materials increased the most in air-tightness materials, followed by wader and protective clothing materials and TPU membrane. On the other hand, the sales of Conventional Materials increased RMB40.3 million, or 58.9%, to RMB108.7 million compared to RMB68.4 million for the same period last year.

During the period under review, the sales of the End Products increased RMB2.2 million, or 1.3%, to RMB165.4 million compared to RMB163.2 million for the same period last year. The increase was due primarily to increase in demand on wader and protective garment clothing and biogas tank, which was offset by decrease in sales in inflatable boat.

The split of these revenue based on products compared to the first half of 2012 and 2011, is shown below:-

	For the six months ended 30 June			
	2012		2011	
	(RMB million)	**%**	(RMB million)	%
Reinforced Materials	**312.4**	**53.3**	353.9	60.4
Conventional Materials	**108.7**	**18.5**	68.4	11.7
End Products	**165.4**	**28.2**	163.2	27.9
	586.5	**100.0**	585.5	100.0

The split of these revenues based on geographically locations compared to the first half of 2012 and 2011, is shown below:-

	For the six months ended 30 June			
	2012		2011	
	(RMB million)	**%**	(RMB million)	%
PRC	**481.7**	**82.1**	526.2	89.9
Non-PRC	**104.8**	**17.9**	59.3	10.1
	586.5	**100.0**	585.5	100.0

Gross Profit and Gross Margin

Gross profit decreased to RMB201.2 million for the period under review (2011: RMB278.4 million). The decrease was primarily a result of increase in sales of the Reinforced Materials and End Products being lesser than the corresponding increase in cost of sales for the period under review. The gross profit margin was 34.3% for the period under review (2011: 47.6%). The reduce in gross margin was due to adverse economic condition worldwide, higher depreciation cost of our new production facilities for Reinforced Materials and change in product mix in our End Products.

The split of these gross profit margin based on products compared to the first half of 2012 and 2011, is shown below.

	2012	2011
	%	%
Reinforced Materials	**39.0**	45.9
Conventional Materials	**8.8**	17.5
End Products	**42.2**	63.7
	34.3	47.6

Selling and Distribution Costs

For the period under review, selling and distribution costs decreased about RMB0.6 million or about 6.9% to RMB8.1 million, or 1.4% of revenue for the period under review, from RMB8.7 million, or 1.5% of revenue for the same period last year. The decrease in selling and distribution costs was primarily due to the decrease in exhibition expenses incurred amounted to RMB0.4 million (2011: RMB2.0 million) for the period under review, as we selectively attended exhibitions, which was offset by the increase in transportation expenses amounted to RMB3.9 million (2011: RMB1.7million).

Administrative Expenses

For the period under review, administrative expenses decreased about RMB10.9 million or about 22.8% to RMB37.0 million, or 6.3% of revenue for the period under review, from RMB47.9 million, or 8.2% of revenue for the same period last year. The decrease in administrative expenses was primarily attributable to decreased R&D expenses incurred amounted to RMB17.3 million (2011: RMB: 31.1 million).

Finance Costs

Finance cost for the period under review was RMB5.6 million (2011: RMB0.8 million). This equates to 1.0% and 0.1% of revenue for the first half of 2012 and 2011 respectively.

Interest Income

Interest income amounted to RMB0.9 million for the period under review (2011: RMB1.5 million).

Income Tax

For the period under review, the Group had an overall income tax expense of RMB26.9 million, or 17.7% of pre-tax income compared to the tax expense of RMB46.1 million, or 20.9% 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 RMB125.4 million, or RMB15.13 cents for basic earnings per share, compared to profit attributable to owners of the parent of RMB174.9 million, or RMB21.11 cents for basic earnings per share for the same period last year. The weighted average number of common shares outstanding was 828,831,000 at 30 June 2012 (2011: 828,831,000).

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to RMB1,516.0 million, as compared to RMB1,458.1 million at 31 December 2011, an increase of 4.0%.

Financial Position

As at 30 June 2012, the Group's net gearing, expressed as a percentage of total interest-bearing liabilities to total assets, was at 9.3% as compared to 5.2% as at 31 December 2011.

Bank Borrowings

As at 30 June 2012, the Group had cash and bank balances of RMB369.0 million (31 December 2011: RMB242.0 million), most of which were denominated in Hong Kong dollars or Renminbi. The Group had interest-bearing bank borrowings of RMB192.5 million (31 December 2011: RMB89.8 million) while total banking facilities amounted to RMB420.0 million (31 December 2011: RMB310.0 million).

Working Capital

Total inventory was at RMB113.6 million as compared to RMB107.0 million as at 31 December 2011. Average inventories turnover (days) was at 52 days (30 June 2011: 65 days). It is the Group's strategy to maintain a safety level of inventories in anticipating the production schedule in the second half of the year.

Average trade receivables turnover (days) was at 84 days (30 June 2011: 69 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 69 days (30 June 2011: 62 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 more bills.

Overall, the Group maintained a current ratio (times) of 1.8 as at 30 June 2012 (31 December 2011: 2.9).

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 RMB168.4 million mainly for the purchase of production facilities and the construction of Shanghai Jinshan factory with workshops, warehouses, offices and staff quarters. Advanced payment for property, plant and equipment was made mainly for the purchase of production facilities including laminating machine which will be delivered to our Fuzhou second phase factory in the second half of the year. All of which were financed by the Group's internal resources.

Capital Commitments and Contingent Liabilities
As at 30 June 2012, total capital commitments amounted to RMB183.7 million (31 December 2011: RMB87.7 million). There were no material contingent liabilities or off balance sheet obligations.

Human Resources
The Group employed a total of 1,081 employees (31 December 2011: 1,022 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
As stated in the article subjected "Twelfth Five-Year Development Plan for New Materials Industry" promulgated in 2011, the scale of New Materials industry will reach a total output of $2 trillion by 2015, with an annual growth rate above 25%. Proactively capitalizing the opportunity of the development of New Materials, the Group carried out a "100-day reform in work flow", which mainly targeted on the improvement of the Company's system, achieving the effectiveness and efficiency of the overall corporate management of the Group. As the domestic New Materials industry rapidly develops, an enterprise has to reform persistently to cope with the ever-changing environment. To facilitate a further enhancement at the group level, the Group has set a definite goal to solidify its leading position in the industry.

The nationwide establishment of production bases is of top priority of the Group. All the fundamental constructions of the currently No.4 production workshop located in the Shanghai Sijia Industrial Park, Jinshan, Shanghai has completed, with the highly-precise automatic equipment from Italy forming the coating production line, enabling the Group to become a domestic manufacturer with state-of-the-art equipment producing Reinforced Materials. In addition, the Group continues to increase the effort in the development of the products of the New Materials, significantly developing the End Products. Establishing an industry chain is also a major development approach of the Group. The Group continues to broaden the industry chain ranging from raw materials to the ultimate outdoor leisure products, building up the top Asian brand in the industry.

Looking forward, as the forerunner of the New Materials industry, the Group will continue to develop the clean energy and environmental protection businesses as mentioned in the "Twelfth Five Year" Plan of the State. With the increasing awareness of environmental protection in China, the application of TPU will become more common. As a result, the Group will continue to develop TPU products. TPU refers to an environmental-friendly polymer and is also called thermoplastic polyurethane or waterproof permeable membrane. It is a new and environmental-friendly material, representing a major breakthrough in respect of the application of waterproof permeable membrance. It has not only most characteristics of rubber and common plastics, but it also has excellent integrated physical and chemical properties, therefore it is called the future material. TPU membrane is a membrane made of TPU granular materials through specialized technologies. It entails the excellent properties of TPU and it covers a wide range of applications including shoes-making, shoulder straps, water bags and various products that contact human skin directly.

INTERIM DIVIDEND

The board of directors (the "Directors") does not recommend the payment of any interim dividend for the six months ended 30 June 2012 (2011: 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 2012.

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 2012 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, 29 August 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.