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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)

ANNOUNCEMENT

Reference is made to the announcements of the Company dated 8 February 2013, 19 February 2013 and 25 April 2013, respectively. Capitalised terms used herein shall have the same meanings as those defined in the aforesaid announcements.

PROCEDURES AND STEPS TAKEN IN RELATION TO THE INDEPENDENT INVESTIGATION

The procedures and scopes of the investigation (the “**Independent Investigation**”) undertaken by ADNA were designed by ANDA with reference to the comments from the then proposed new auditors of the Group, SHINEWING. The procedures and scopes of the Independent Investigation were designed to assist the Audit Committee to understand the affairs surrounding the Observations through the checking of:

- (a) whether the reasons giving rise to the Observations are in agreement with the related evidences; and
- (b) whether the related underlying accounting information recorded by the Group are in agreement with the related evidences.

To conclude, procedures and steps taken by ANDA include:

(a) Inspection of relevant documents

ANDA has reviewed documents that were provided by Fujian Sijia Industrial Material Co., Ltd. (福建思嘉環保材料科技有限公司) (“**Fujian Sijia**”). ANDA has checked the original copies, confirmed with the interviewees regarding the authenticity, or checked the corresponding duplicate in the interviewee’s office on the documents.

(b) Interviewing the relevant personnel of the bank, tax authority, customers and suppliers

ANDA has interviewed the representatives of the involved bank, tax authority, customers and suppliers in the interviewees’ respective registered office or departmental office. ANDA has verified the office addresses of the interviewees by observing the office premises, checking company name signages and directory of the respective office buildings, and where interviews were taken place in the registered office, by also cross-checking the venue address against the business registration documents during its site visit. Name cards of the personnels attending the interviews were collected by ANDA for record purposes except that only staff card of the interviewed personnel of the tax authority was sighted by ANDA. According to the interviewed personnels, they were authorised to represent the respective involved bank, tax authority, customers and suppliers, respectively. During the course of interview, ANDA has enquired certain background of the interviewees, including their nature of business, relationship with the Group and how they started business with the Group and where available, ANDA has also visited the websites of certain involved suppliers and customers to get some basic understanding of them.

In addition, apart from interviewing the involved suppliers and customers, ANDA has also obtained written confirmation from those interviewed suppliers and customers in relation to the transactions, which was either handed over to ANDA during the interview or sent back to ANDA afterwards as the responsible personnel was absent or as required by the internal procedures of the interviewees.

ADNA did not interview five of the involved customers and suppliers due to its sample test exercise and such customers and suppliers only constituted insignificant percentage to the amount involved. For those five customers and suppliers, ANDA performed the following procedures:

Sale and purchase:

- (i) checked the original documents, i.e. confirmation issued by relevant tax authority and the relevant value added tax invoices; and
- (ii) interviewed the representative of the tax authority to confirm the transactions.

Payment and receipt:

- (i) checked the original of the relevant bank slips and bank statements;
 - (ii) checked the original of the confirmation from the relevant bank in relation to the inconsistencies between the bank code and bank name of recipients on payment advices; and the inconsistencies between the transaction number on bank payment advice and bank statements;
 - (iii) checked the copy of the bank account closing forms of the involved suppliers and customers in relation to the potential inexistence of the bank account of the suppliers and customers that were provided by Fujian Sijia. To the extent possible, ANDA has checked against the original bank account closing forms with the involved suppliers and customers during its interview; and
 - (iv) checked against the internet banking system on the dates, amounts of bank receipts and payments, and names of payees and recipients.
- (c) **Checking the relevant bank balances, payments and receipts through internet banking service**

ANDA has downloaded and installed the internet banking software from the website of the bank with its self-carried laptop computer. Through the internet banking, ANDA checked the internet banking records against the accounting records of Fujian Sijia.

The Board is of the view that the procedures and steps undertaken by ANDA are appropriate for the purpose of the Independent Investigation.

FINDINGS OF THE INDEPENDENT INVESTIGATION

The Company would like to set out the findings of the Independent Investigation in details:

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

For investigation of this matter, ANDA:

1. checked (i) the confirmation issued by the tax authority; and (ii) the relevant value-added tax invoices of the relevant sales and purchases transactions. ANDA found that there are no discrepancies between those documents and the sales and purchase records of Fujian Sijia;
2. interviewed the relevant personnel of the tax authority to understand the situation. According to the interviewed personnel, the relevant sales and purchases invoices are true based on the record of the tax authority. Although such personnel declined to provide feedback on the operation of the online verification system, she advised that such system was independent from the official system she uses; and
3. interviewed the relevant personnel of certain involved customers and suppliers to understand the situation. According to those interviewed personnels, the information in relation to the relevant sales and purchases transactions are correct.

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

For investigation of this matter, ANDA:

1. checked (i) the relevant bank account closing forms; and (ii) the relevant bank advices of the involved receipt and payment transactions. ANDA found that there are no discrepancies between those documents and the receipt and payment records of Fujian Sijia;
2. interviewed the relevant personnel of certain involved customers and suppliers to understand the situation. According to those interviewed personnels, the information regarding the relevant receipt and payment transactions are correct; and

3. checked the relevant bank payments and receipts through the internet banking system of the relevant bank. ANDA found that the dates, amounts of bank receipts and payments, and the names of payees and recipients of the involved transactions are consistent with the records of Fujian Sijia.

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

For investigation of this matter, ANDA:

1. checked (i) the confirmations issued by relevant bank; and (ii) the relevant bank slips and bank statements. ANDA found that there are no discrepancies between those documents and the internal records of Fujian Sijia;
2. interviewed the representative of the bank who confirmed that the inconsistency between the two bank statements of Fujian Sijia obtained by EY was caused by the adjustment made by the local branch of the bank for the total bank deposit (which is a key performance indicator) of that local branch; and that the bank balance of Fujian Sijia conformed with the internal record of that company. In addition, while having no clue of why the 2 sample payment transactions showed inconsistent transaction codes appearing on the bank slips and the bank statements, the personnel of the bank has advised ANDA that the bank code stated in 7 bank slips relating to the sample transactions do not comply with the official coding requirements may possibly be caused by clerical error as the bank code on the bank slips could be manually inputted;
3. interviewed the relevant personnel of certain involved customers and suppliers to understand the situation. According to those interviewed personnels, the information regarding the relevant receipt and payment transactions are correct; and
4. checked the relevant bank balance, payments and receipts through the internet banking system of relevant bank. ANDA found that the dates, amounts of bank balance, receipts and payments, and the names of payees and recipients of the involved transactions are consistent with the records of Fujian Sijia.

Based on the aforesaid findings of ANDA, the Board is of the view that the Observations are not substantiated.

As at the date of this announcement, ZHONGLEI has yet to complete its client acceptance procedure. Further announcement will be made by the Company as and when appropriate.

At the request of the Company, trading in the Company's shares on The Stock Exchange of Hong Kong Limited has been suspended with effect from 9:34 a.m. on 14 February 2013 and will continue to be suspended until further notice.

By order of the Board
Sijia Group Company Limited
Lin Shengxiong
Executive Director

Hong Kong, 21 June 2013

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