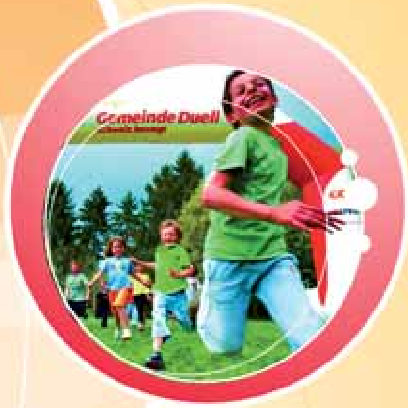
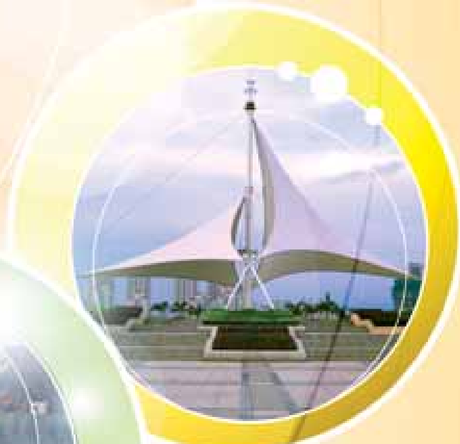
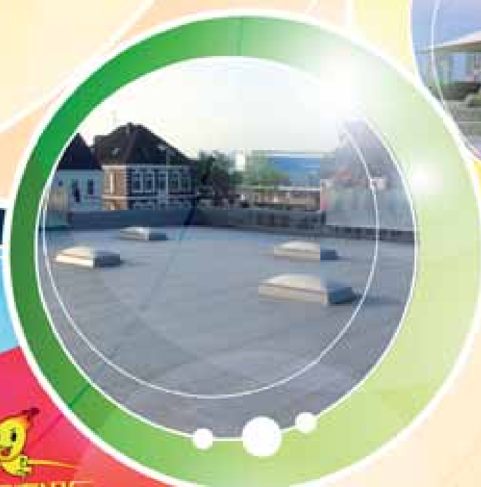
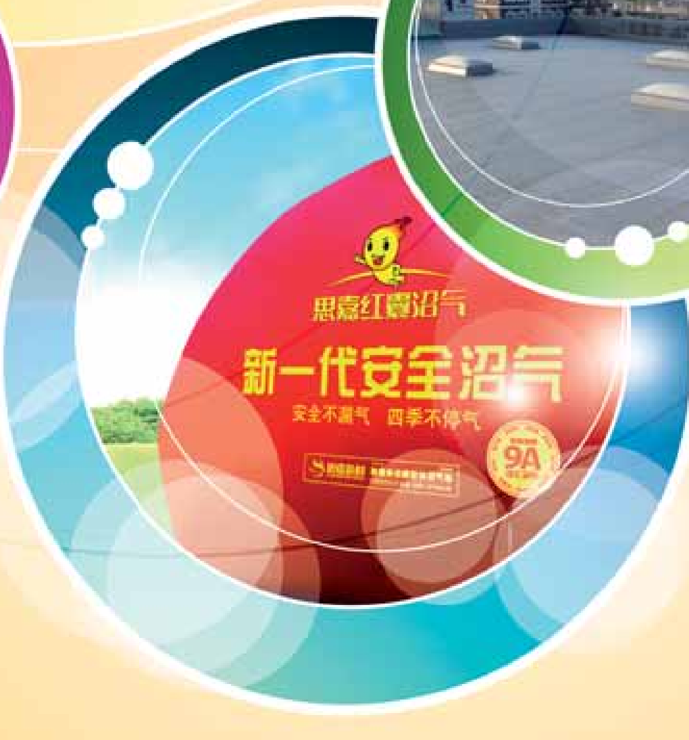
思嘉集團有限公司
SIJIA GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1863









INTERIM
REPORT
2011

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lin Shengxiong *(Chairman)*
Zhang Hongwang
Huang Wanneng

Independent Non-executive Directors

Chong Chi Wah
Cai Weican
Wu Jianhua

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1603, 16th Floor
Office Tower
Convention Plaza
1 Harbour Road
Wanchai, Hong Kong

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Chan Wing Hang, *FCCA, CPA*

AUTHORISED REPRESENTATIVES

Lin Shengxiong
Chan Wing Hang, *FCCA, CPA*

AUDIT COMMITTEE

Chong Chi Wah *(Chairman)*
Cai Weican
Wu Jianhua

REMUNERATION COMMITTEE

Lin Shengxiong *(Chairman)*
Cai Weican
Wu Jianhua
Chong Chi Wah

NOMINATION COMMITTEE

Cai Weican *(Chairman)*
Lin Shengxiong
Wu Jianhua
Chong Chi Wah

AUDITORS

Ernst & Young
Certified Public Accountants

INTERNAL CONTROL REVIEW ADVISER

SHINEWING Risk Services Limited

PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

CORPORATE WEBSITE

http://www.sijia.hk

INVESTOR RELATIONS CONTACT

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Fax: (852) 2477 9969

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 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 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 materials, 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 year 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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".

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	4	**585,503**	480,507
Cost of sales		**(307,079)**	(255,341)
Gross profit		**278,424**	225,166
Other income and gains	4	**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	5	**(840)**	(1,355)
PROFIT BEFORE TAX	6	**220,839**	176,387
Income tax expense	7	**(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	8	**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	9	**466,998**	376,205
Prepaid land lease payments	10	**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	11	**162,577**	55,370
Trade and notes receivables	12	**296,700**	147,118
Prepayments, deposits and other receivables	13	**105,384**	37,220
Pledged deposits	14	**30,677**	22,109
Cash and cash equivalents	14	**87,342**	333,857
Total current assets		**682,680**	595,674
CURRENT LIABILITIES			
Trade and bills payables	15	**127,628**	80,318
Other payables and accruals	16	**32,372**	12,992
Interest-bearing bank borrowings	17	**35,000**	15,000
Deferred income		**360**	360
Due to a related party	21	**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

Condensed Consolidated Statement of Financial Position

30 June 2011

	Notes	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
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	18	**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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to equity holders of the parent											
	Issued capital RMB'000	**Capital surplus/ share premium RMB'000**	**Capital reserve RMB'000**	**Share option reserve RMB'000**	**Warrant reserve RMB'000**	**Statutory surplus funds RMB'000**	**Exchange fluctuation reserve RMB'000**	**Retained earnings RMB'000**	**Proposed final dividends RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
At 31 December 2010 and 1 January 2011 (audited)	**728**	**594,987**	**28,994**	**13,101**	**161**	**57,092**	**(7,140)**	**439,193**	**69,870**	**1,196,986**	**–**	**1,196,986**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**174,945**	**–**	**174,945**	**(174)**	**174,771**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(1,529)**	**–**	**–**	**(1,529)**	**–**	**(1,529)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(1,529)**	**174,945**	**–**	**173,416**	**(174)**	**173,242**
Capital contribution by non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,000**	**5,000**
Declared dividend	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(69,870)**	**(69,870)**	**–**	**(69,870)**
Transfer from retained profits	**–**	**–**	**–**	**–**	**–**	**21,163**	**–**	**(21,163)**	**–**	**–**	**–**	**–**
At 30 June 2011 (unaudited)	**728**	**594,987**	**28,994**	**13,101**	**161**	**78,255**	**(8,669)**	**592,975**	**–**	**1,300,532**	**4,826**	**1,305,358**

For the six months ended 30 June 2010

	Attributable to equity holders of the parent											
	Issued capital RMB'000	Capital surplus/ share premium RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Warrant reserve RMB'000	Statutory surplus funds RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Proposed final dividends RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2009 and 1 January 2010 (audited)	88	40,158	28,994	–	–	31,745	2,721	247,294	–	351,000	–	351,000
Profit for the period	–	–	–	–	–	–	–	147,027	–	147,027	–	147,027
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(3,604)	–	–	(3,604)	–	(3,604)
Total comprehensive income for the period	–	–	–	–	–	–	(3,604)	147,027	–	143,423	–	143,423
Issuance	201	659,130	–	–	–	–	–	–	–	659,331	–	659,331
Share issue expenses	–	(33,992)	–	–	–	–	–	–	–	(33,992)	–	(33,992)
Capitalisation of share premium	439	(439)	–	–	–	–	–	–	–	–	–	–
Transfer from retained profits	–	–	–	–	–	16,167	–	(16,167)	–	–	–	–
At 30 June 2010 (unaudited)	728	664,857	28,994	–	–	47,912	(883)	378,154	–	1,119,762	–	1,119,762

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash flows (used in)/from operating activities	**(36,036)**	104,456
Net cash flows used in investing activities	**(161,561)**	(219,929)
Net cash flows (used in)/from financing activities	**(44,870)**	637,089
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(242,467)**	521,616
Cash and cash equivalents at beginning of period	**333,857**	184,987
Effect of foreign exchange rates, net	**(4,048)**	(3,784)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**87,342**	702,819
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	**87,342**	702,819

1. CORPORATE INFORMATION

Sijia Group Company Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 7 October 2009. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

In the opinion of the directors, the holding company of the Company is Hopeland International Holdings Company Limited ("Hopeland International") (浩林國際控股有限公司) and the ultimate controlling shareholder of the Company is Lin Shengxiong ("Mr. Lin").

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 29 April 2010.

The Group is principally engaged in the design, development, manufacture and sale of (i) polymer processed high strength polyester fabric composite materials and other reinforced composite materials, (ii) conventional materials and (iii) downstream related inflatable and waterproof products targeting the outdoor leisure, recreation and sports consumer market.

2.1 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 2.2 below. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 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.

2.3 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.

3. 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**

3. OPERATING SEGMENT INFORMATION *(Continued)*

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.

4. 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

5. FINANCE COSTS

An analysis of finance costs is as follows:

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

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2011 (Unaudited) RMB'000	2010 (Unaudited) 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)

7. 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.

7. INCOME TAX *(Continued)*

In accordance with the Corporate Tax Law of the PRC, the profits of the following PRC subsidiaries are subject to the following tax rates:

	Notes	For the six months ended 30 June 2011	2010
Xiamen Grandsoo Industrial & Trade Co., Ltd. ("Xiamen Grandsoo")	(a)	**12.5%**	12.5%
Fujian Sijia Industrial Material Co., Ltd. ("Fujian Sijia")	(b)	**15%**	15%
Fujian Hausa Import and Export Co., Ltd. ("Fujian Hausa")	(c)	**25%**	N/A
Hubei Sijia Industrial Material Co., Ltd. ("Hubei Sijia")	(c)	**25%**	N/A
Sichuan Jiajie Environmental Protection Technology Co., Ltd. ("Sichuan Jiajie")	(c)	**25%**	N/A
Sijia New Material (Shanghai) Co., Ltd. ("Sijia Shanghai")	(c)	**25%**	N/A
Hubei Outdoor Products Co., Ltd. ("Hubei Outdoor")	(c)	**25%**	N/A

(a) Xiamen Grandsoo was registered as a foreign-invested enterprise on 26 May 2006. Pursuant to the approval of the tax bureau, Xiamen Grandsoo is exempted from CIT for its first two profit-making years (after deducting losses incurred in previous years) and is entitled to a 50% tax reduction for the succeeding three years. In accordance with the PRC Corporate Income Tax Law which has been effective on 1 January 2008 (the "New Corporate Income Tax Law"), a company is still able to enjoy the above mentioned tax holiday within a five-year transitional period from 1 January 2008. The company would be deemed to trigger the tax holiday from 1 January 2008 if it has not yet started to enjoy tax holiday at that time. Since Xiamen Grandsoo was under an accumulative loss position and has not yet started to enjoy tax holiday as of 1 January 2008, its tax holiday was deemed to have started in 2008 regardless of whether it makes profit in 2008. Therefore, Xiamen Grandsoo is entitled to a 50% tax reduction (12.5%) for the six months ended 30 June 2011 and 2010.

(b) Pursuant to the approval of the tax bureau, Fujian Sijia, being a high-tech enterprise, was levied at the tax rate of 15% for the six months ended 30 June 2011 and 2010 according to the New Corporate Income Tax Law.

(c) Fujian Hausa, Hubei Sijia, Sichuan Jiajie, Sijia Shanghai and Huibei Outdoor, being entities set up on 28 July 2010, 30 July 2010, 20 August 2010, 22 November 2010 and 10 March 2011, respectively, are subject to a corporate income tax rate of 25% for the six months ended 30 June 2011 according to the New Corporate Income Tax Law.

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 (Unaudited) RMB'000	2010 (Unaudited) 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

8. 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

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Leasehold improve-ments	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
30 June 2011							
At 1 January 2011:							
Cost	28,138	224,207	4,502	2,097	4,648	150,891	414,483
Accumulated depreciation	(5,446)	(29,655)	(1,294)	(480)	(1,403)	–	(38,278)
Net carrying amount	22,692	194,552	3,208	1,617	3,245	150,891	376,205
At 1 January 2011, net of accumulated depreciation	22,692	194,552	3,208	1,617	3,245	150,891	376,205
Additions	–	29,914	166	547	202	72,735	103,564
Disposals	–	(21)	–	–	–	–	(21)
Depreciation provided during the period	(648)	(10,790)	(785)	(182)	(345)	–	(12,750)
Transfers	–	320	–	9	–	(329)	–
At 30 June 2011, net of accumulated depreciation	22,044	213,975	2,589	1,991	3,102	223,297	466,998
At 30 June 2011:							
Cost	28,138	254,419	4,368	2,653	4,850	223,297	517,725
Accumulated depreciation	(6,094)	(40,444)	(1,779)	(662)	(1,748)	–	(50,727)
Net carrying amount	22,044	213,975	2,589	1,991	3,102	223,297	466,998

As at 30 June 2011, certain of the Group's buildings and plant and machinery with aggregate net book values of RMB24,024,000 were pledged to secure bank loan facilities granted to the Group (31 December 2010: RMB19,557,000) (note 17).

As at 30 June 2011, certificates of ownership in respect of certain buildings of the Group in the PRC with aggregate net book values of RMB2,175,000 had not been issued by the relevant PRC authorities (31 December 2010: RMB2,279,000). The Group is in the process of obtaining the relevant certificates of ownership.

10. PREPAID LAND LEASE PAYMENTS

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Carrying amount at beginning of period/year	5,401	5,497
Additions	42	–
Recognized during the period/year	(59)	(96)
Carrying amount at end of period/year	5,384	5,401
Current portion included in prepayments, deposits and other receivables	(96)	(96)
Non-current portion	5,288	5,305

The Group's leasehold lands are held under long term leases and are situated in the PRC.

As at 30 June 2011, certain of the Group's leasehold land with aggregate carrying values of RMB4,329,000 were pledged to secure bank loan facilities granted to the Group (31 December 2010: RMB4,378,000) (note 17).

11. INVENTORIES

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Raw materials	93,870	29,027
Work in progress	9,111	2,280
Finished goods	59,596	24,063
	162,577	55,370

12. TRADE AND NOTES RECEIVABLES

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) 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

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Other receivables	**5,844**	2,544
Prepaid sales tax and government surcharges	**13,852**	2,611
Prepayments	**83,762**	29,446
Prepaid expense	**1,926**	2,619
	105,384	37,220

14. CASH AND CASH EQUIVALENTS

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Cash and bank balances	**108,019**	255,785
Time deposits	**10,000**	100,181
	118,019	355,966
Less: Pledged time deposits for bills payable	**(30,677)**	(22,109)
Cash and cash equivalents	**87,342**	333,857

At the end of the reporting period, the Group's cash and bank balances denominated in RMB were RMB55,876,000 (31 December 2010: RMB54,828,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between three and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

15. 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.

16. OTHER PAYABLES AND ACCRUALS

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Advances from customers	14,038	6,265
Payroll payable	6,320	3,752
Accrued liabilities	7,209	971
Other payables	4,805	2,004
	32,372	12,992

17. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Current				
Bank loans – secured*	6.969 – 7.320	Within 1 year	**35,000**	–
Bank loans – secured*	5.84	Within 1 year	**–**	15,000
			35,000	15,000

Notes:

* The Group's bank borrowings are secured by:

(i) mortgages over the Group's buildings and plant and machinery situated in the PRC with aggregate net book values of RMB24,024,000 as at 30 June 2011 (31 December 2010: RMB19,557,000) (note 9); and

(ii) mortgages over the Group's leasehold lands situated in the PRC with an aggregate carrying value of RMB4,329,000 as at 30 June 2011 (31 December 2010: RMB4,378,000) (note 10).

The carrying amounts of the Group's borrowings approximate to their fair values.

18. 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

18. SHARE CAPITAL *(Continued)*

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).

19. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties and staff accommodations under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At 30 June 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Within one year	**1,866**	1,679
In the second to fifth years, inclusive	**1,881**	2,645
	3,747	4,324

20. COMMITMENTS

The Group had the following commitments at the balance sheet date.

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Contracted, but not provided for:		
Plant and machinery	**120,362**	119,649

21. RELATED PARTY TRANSACTIONS

(a) The Group had no material transactions with related parties during the six months ended 30 June 2011 and 2010.

(b) Outstanding balances with a related party:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Due to a related party:		
Xiamen Daxiang Protective Sheet Co., Ltd.	**73**	80

The above balances are unsecured, non-interest-bearing and have no fixed terms of repayment.

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Short term employee benefits	**1,445**	1,196
Pension scheme contributions	**61**	15
Total compensation paid to key management personnel	**1,506**	1,211

Other Information

RESULTS AND APPROPRIATIONS

The results of the Group for the six months ended 30 June 2011 are set out in the condensed consolidated income statement on page 10.

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

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 preserving 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.

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.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2011, the interests of each Director and chief executive in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in shares of the Company

Name of Director	Capacity/Nature of interest	Long/Short position	Number of shares held	Approximate percentage of shareholding in the Company
Lin Shengxiong	Interests in controlled corporation	Long position	491,786,000	59.33%

Note: These shares are held by Hopeland International Holdings Company Limited, which is wholly-owned by Lin Shengxiong. Therefore, Lin Shengxiong is deemed to be interested in these shares under the SFO.

Interest in shares of associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/Nature of interest	Long/Short position	Number of shares held	Approximate percentage of shareholding in the associated corporation
Lin Shengxiong	Hopeland International Holdings Company Limited	Beneficial owner	Long position	1	100.00%

Save as disclosed above and the section "Share Option Scheme", as at 30 June 2011, none of the Directors or chief executive had any interests in or short positions in the shares, underlying shares and debentures of the Company or any associated corporation or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations required to be disclosed pursuant to the SFO.

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interests or short positions in shares or underlying shares in, or debentures of, the Company or its associated corporations.

Other Information

SHARE OPTION SCHEME

The Company has adopted its share option scheme (the "Share Option Scheme") on 8 April 2010 to provide incentives to the employees, including any executive and non-executive Directors and officers of the Company and its subsidiaries, to contribute to the Group and to enable the Group to recruit high-calibre employees and attract and retain human resources that are valuable to the Group. Pursuant to the Share Option Scheme, the Directors may, at their discretion, invite eligible participants including employees, executive and non-executive Directors, officers, agents or consultants of the Group to take up options to subscribe for the Company's shares subject to the terms and conditions stipulated therein. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for ten years.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the shares of the Company in issue on 29 April 2010, the date of completion of the global offering and capitalisation issue. No options may be granted under the Share Option Scheme if this will result in such limit exceeded unless another shareholders' approval is obtained. As at 30 June 2011, the number of shares available for issue under the Share Option Scheme is 80,000,000, representing 9.65% of the total number of shares of the Company in issue. The total number of shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to each participant must not exceed 1% of the shares of the Company in issue.

The exercise price must be at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

As at 22 July 2010, the following share options were granted and exercisable from 22 July 2010 to 21 July 2015 at an exercise price of HK$3.30 per share:

Executive Directors	
Zhang Hongwang	8,000,000
Huang Wanneng	6,000,000

As at 30 September 2010, the following share options were granted and exercisable from 30 September 2010 to 29 September 2015 at an exercise price of HK$3.50 per share:

Other participants	
Employees	36,000,000

As at 30 June 2011, all options granted had not been exercised.

Other Information

NON-LISTED WARRANTS

On 17 November 2010, the Company issued 35,000,000 non-listed warrants at HK$0.01 each, the net proceeds of approximately HK$170,000 was raised as general working capital of the Group. Each warrant has subscription right to subscribe for one new share of the Company at subscription price of HK$4.50 per new share, subject to adjustment, for a period of 30 months commencing from the date immediately after the expiry date of 6 months after the date of the issue of the warrants.

None of such warrants was ever exercised since the date of issue. At the end of reporting period, the Company had outstanding 35,000,000 non-listed warrants to be exercised before 16 November 2013. Exercised in full of such warrants would result in the issue of 35,000,000 additional ordinary shares.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under Section 336 of the SFO shows that as at 30 June 2011, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed under the section "Directors' and Chief Executives' Interests in Shares and Underlying Shares of the Company".

Name of shareholder	Long/Short position	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding in the Company
Hopeland International Holdings Company Limited (Note 1)	Long position	Beneficial owner	491,786,000	59.33%
Lin Hongting (Note 2)	Long position	Interests of spouse	491,786,000	59.33%
Glory Bright Investments Enterprise Limited (Note 3)	Long position	Beneficial owner	59,011,000	7.11%
Lin Wanpeng (Note 3)	Long position	Interests in controlled corporation	59,011,000	7.11%
Wang Huiqing (Note 4)	Long position	Interests of spouse	59,011,000	7.11%

Notes:

1. The entire issued share capital of Hopeland International Holdings Company Limited is beneficially owned by Lin Shengxiong who is deemed to be interested in the shares of the Company held by Hopeland International Holdings Company Limited pursuant to the SFO.

2. Lin Hongting is the spouse of Lin Shengxiong. Therefore, Lin Hongting is deemed to be interested in the shares of the Company in which Lin Shengxiong is interested for the purposes of the SFO.

3. The entire issued share capital of Glory Bright Investments Enterprise Limited is beneficially owned by Lin Wanpeng who is deemed to be interested in the shares of the Company held by Glory Bright Investments Enterprise Limited pursuant to the SFO.

4. Wang Huiqing is the spouse of Lin Wanpeng. Therefore, Wang Huiqing is deemed to be interested in the shares of the Company in which Lin Wanpeng is interested for the purposes of the SFO.

Save as disclosed above, no other interest or short position in the shares and underlying shares of the Company was recorded in the register required to be kept under Section 336 of the SFO as at 30 June 2011.

Other Information

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 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.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to our management and staff for their dedication and contribution to the Group throughout the six months ended 30 June 2011.

By Order of the Board
Lin Shengxiong
Chairman
Hong Kong, 16 August 2011