思嘉集團有限公司

SIJIA GROUP COMPANY LIMITED

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

2012 Interim Report

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

Unit F, 10th Floor
China Overseas Building
139 Hennessy 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

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

NOMINATION COMMITTEE

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

LEGAL ADVISER

As to Hong Kong Law
Pang & Co.

AUDITORS

Ernst & Young
Certified Public Accountants

INTERNAL CONTROL REVIEW ADVISER

SHINEWING Risk Services Limited

PRINCIPAL BANKERS

DBS Hong Kong Limited
Bank of China (Hong Kong) Limited
China Minsheng Banking Corp., Ltd., Hong Kong Branch

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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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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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

Management Discussion and Analysis

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: RMB1.7 million).

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).

Management Discussion and Analysis

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 membrane. 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.

Condensed Consolidated Income Statement

For the six months ended 30 June 2012

	Notes	For the six months ended 30 June 2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
REVENUE	4	**586,500**	585,503
Cost of sales		**(385,309)**	(307,079)
Gross profit		**201,191**	278,424
Other income and gains	4	**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	5	**(5,620)**	(840)
PROFIT BEFORE TAX	6	**152,328**	220,839
Income tax expense	7	**(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	8	**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	9	**824,825**	776,389
Prepaid land lease payments	10	**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	11	**113,638**	106,989
Trade and notes receivables	12	**289,848**	245,962
Prepayments, deposits and other receivables	13	**80,338**	115,984
Pledged deposits	14	**72,180**	25,956
Cash and cash equivalents	14	**368,976**	242,070
Total current assets		**924,980**	736,961
CURRENT LIABILITIES			
Trade and bills payables	15	**183,983**	104,635
Other payables and accruals	16	**52,876**	38,557
Interest-bearing bank borrowings	17	**192,540**	89,766
Deferred income		**360**	360
Dividend payables		**67,409**	–
Due to a related party	21	**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

Condensed Consolidated Statement of Financial Position

30 June 2012

	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	18	**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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	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 profits RMB'000**	**Proposed final dividend RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
At 31 December 2011 and 1 January 2012 (audited)	**728**	**527,578**	**28,994**	**13,101**	**161**	**92,473**	**(8,892)**	**732,089**	**67,409**	**1,453,641**	**4,513**	**1,458,154**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**125,404**	**–**	**125,404**	**(17)**	**125,387**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(109)**	**–**	**–**	**(109)**	**–**	**(109)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(109)**	**125,404**	**–**	**125,295**	**(17)**	**125,278**
Capital contribution by non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Declared dividend	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(67,409)**	**(67,409)**	**–**	**(67,409)**
Transfer from retained profits	**–**	**–**	**–**	**–**	**–**	**14,185**	**–**	**(14,185)**	**–**	**–**	**–**	**–**
At 30 June 2012 (unaudited)	**728**	**527,578**	**28,994**	**13,101**	**161**	**106,658**	**(9,001)**	**843,308**	**–**	**1,511,527**	**4,496**	**1,516,023**

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 profits 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

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2012

	Notes	For the six months ended 30 June **2012 (Unaudited) RMB'000**	2011 (Unaudited) RMB'000
Net cash flows from/(used in) operating activities		**221,647**	(36,036)
Net cash flows used in investing activities		**(168,390)**	(161,561)
Net cash flows from/(used in) financing activities		**102,774**	(44,870)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**156,031**	(242,467)
Cash and cash equivalents at beginning of period		**242,070**	333,857
Effect of foreign exchange rates, net		**56**	(4,048)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**398,157**	87,342
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**368,976**	87,342
Cash and cash equivalents as stated in the statement of financial position		**368,976**	87,342
Time deposits with original maturity of less than three months when acquired, pledged as security for bill payables	14	**29,181**	–
Cash and cash equivalents as stated in the statement of cash flows		**398,157**	87,342

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 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 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'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.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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.

3. 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**

3. OPERATING SEGMENT INFORMATION *(Continued)*

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.

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	
	2012 (Unaudited) RMB'000	2011 (Unaudited) 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

5. 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

6. 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)

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 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.

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 2012	2011
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%**	25%
Hubei Sijia Industrial Material Co., Ltd. ("Hubei Sijia")	(c)	**25%**	25%
Sichuan Jiajie Environmental Protection Technology Co., Ltd. ("Sichuan Jiajie")	(c)	**25%**	25%
Sijia New Material (Shanghai) Co., Ltd. ("Sijia Shanghai")	(c)	**25%**	25%
Hubei Outdoor Products Co., Ltd. ("Hubei Outdoor")	(c)	**25%**	25%

(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. A 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. As Xiamen Grandsoo only has taxable profit in 2011, its tax holiday was deemed to have started in 2008. Therefore, Xiamen Grandsoo is entitled to a 50% tax reduction (12.5%) for the six months ended 30 June 2012 and 2011.

(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 2012 and 2011 according to the New Corporate Income Tax Law.

(c) Fujian Hausa, Hubei Sijia, Sichuan Jiajie, Sijia Shanghai and Hubei 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 2012 and 2011.

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 (Unaudited) RMB'000	2011 (Unaudited) 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

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 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

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Leasehold improve-ments RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
30 June 2012							
At 1 January 2012:							
Cost	127,739	473,221	4,424	3,598	5,742	227,738	842,462
Accumulated depreciation	(6,747)	(53,934)	(2,477)	(897)	(2,018)	–	(66,073)
Net carrying amount	120,992	419,287	1,947	2,701	3,724	227,738	776,389
At 1 January 2012, net of accumulated depreciation	120,992	419,287	1,947	2,701	3,724	227,738	776,389
Additions	–	5,441	326	283	956	68,751	75,757
Disposals	(559)	(426)	–	–	(72)	–	(1,057)
Depreciation provided during the period	(2,876)	(21,889)	(692)	(320)	(487)	–	(26,264)
Transfers	151	172	–	22	–	(345)	–
At 30 June 2012, net of accumulated depreciation	117,708	402,585	1,581	2,686	4,121	296,144	824,825
At 30 June 2012:							
Cost	127,117	477,805	4,032	3,903	6,536	296,144	915,537
Accumulated depreciation	(9,409)	(75,220)	(2,451)	(1,217)	(2,415)	–	(90,712)
Net carrying amount	117,708	402,585	1,581	2,686	4,121	296,144	824,825

As at 30 June 2012, certain of the Group's buildings and plant and machinery with aggregate net book values of RMB59,639,000 were pledged to secure bank loan facilities granted to the Group (31 December 2011: RMB10,681,000) (note 17).

As at 30 June 2012, certificates of ownership in respect of certain buildings of the Group in the PRC with aggregate net book values of RMB96,512,000 had not been issued by the relevant PRC authorities (31 December 2011: RMB101,472,000). The Group is in the process of obtaining the relevant certificates of ownership.

10. PREPAID LAND LEASE PAYMENTS

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Carrying amount at beginning of period/year	**31,304**	5,401
Additions	**169**	26,242
Recognized during the period/year	**(450)**	(339)
Carrying amount at end of period/year	**31,023**	31,304
Current portion included in prepayments, deposits and other receivables	**(653)**	(643)
Non-current portion	**30,370**	30,661

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

As at 30 June 2012, certain of the Group's leasehold land with aggregate carrying values of RMB4,232,000 were pledged to secure bank loan facilities granted to the Group (31 December 2011: RMB4,282,000) (note 17).

11. INVENTORIES

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Raw materials	**54,081**	70,247
Work in progress	**17,160**	7,429
Finished goods	**42,397**	29,313
	113,638	106,989

12. 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 three months, extending up to four months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to 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

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Other receivables	**21,934**	19,294
Prepaid sales tax and government surcharges	**–**	20,056
Prepayments	**56,465**	74,632
Prepaid expense	**1,939**	2,002
	80,338	115,984

14. CASH AND CASH EQUIVALENTS

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Cash and bank balances	**368,976**	231,295
Short term deposits	**72,180**	36,731
	441,156	268,026
Less: Pledged short term deposits for bills payable	**(72,180)**	(25,956)
Cash and cash equivalents	**368,976**	242,070

At the end of the reporting period, the Group's cash and bank balances denominated in RMB were RMB357,029,000 (31 December 2011: RMB221,631,000). 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 interests at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods between three and six months and earn interest at the respective short term deposit rates. The short term deposits are pledged for bills payables which is due within six months. Therefore, short term pledged deposits are classified as current assets. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

As at 30 June 2012, short term deposits were pledged to secure bills payable of RMB143,868,000 (31 December 2011: RMB84,178,000).

15. 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

15. TRADE AND BILLS PAYABLES *(Continued)*

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.

16. OTHER PAYABLES AND ACCRUALS

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Advances from customers	**21,168**	13,234
Payroll payable	**13,351**	9,792
Accrued liabilities	**6,315**	11,495
Other payables	**12,042**	4,036
	52,876	38,557

17. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	**Maturity**	**30 June 2012 (Unaudited) RMB'000**	31 December 2011 (Audited) RMB'000
Current				
Bank loans – secured*	7.544-7.872	2013	**46,000**	–
Bank loans – secured*	7.872-8.235	2012	**28,000**	–
Bank loans – secured*	6.696-7.544	2012	**35,400**	60,000
Bank loans – secured*	3.3918	2012	**–**	10,766
Bank loans – unsecured**	7.544	2012	**19,000**	19,000
Discounted bank acceptances	3.300-9.600	2012	**64,140**	–
			192,540	89,766

17. INTEREST-BEARING BANK BORROWINGS *(Continued)*

Notes:

* The Group's bank borrowings are secured by:

(i) mortgages over the Group's buildings and plant and machinery situated in Mainland China, which had an aggregate carrying value at the end of the reporting period of approximately RMB59,639,000 (31 December 2011: RMB10,681,000) (note 9); and

(ii) mortgages over the Group's leasehold land situated in Mainland China, which has an aggregate carrying value at the end of the reporting period of approximately RMB4,232,000 (31 December 2011: RMB4,282,000) (note 10).

** The Group's other loans are unsecured, bear interest at 7.544% and are repayable within the 12 months commenced on 1 January 2012.

18. SHARE CAPITAL

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Authorised:		
2,000,000,000 (2011: 2,000,000,000) ordinary shares of HK$0.001 each	**1,760**	1,760
Issued and fully paid:		
828,831,000 (2011: 828,831,000) ordinary shares of HK$0.001 each	**728**	728

Notes:

(i) On 7 October 2009, the Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands and was 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.

(ii) 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.

(iii) 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.

(iv) Pursuant to a resolution passed on 8 April 2010, a total of 500,000,000 new ordinary shares of HK$0.001 each were further allotted and issued, credited as fully paid at par by the Company, by way of 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.

(v) In connection with the Company's initial public offering, 200,000,000 ordinary shares of HK$0.001 each were issued at a price of HK$3.28 on 28 April 2010 for a total cash consideration, before related 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 five years.

At 30 June 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within one year	**2,002**	2,698
In the second to fifth years, inclusive	**2,582**	2,912
	4,584	5,610

20. COMMITMENTS

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Contracted, but not provided for:		
Plant and machinery	**183,716**	87,705
Authorized, but not contracted for:		
Plant and machinery	**4,565**	4,565

21. RELATED PARTY TRANSACTIONS

(a) The Group had no material transactions with related parties during the six months ended 30 June 2012 and 2011.

(b) Outstanding balances with a related party:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Due to a related party:		
Xiamen Daxiang Protective Sheet Co., Ltd.	**(91)**	(119)

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

21. RELATED PARTY TRANSACTIONS *(Continued)*

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

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Short term employee benefits	**1,804**	1,445
Pension scheme contributions	**92**	61
Total compensation paid to key management personnel	**1,896**	1,506

22. 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 approximately RMB28,906,000)) represented cash dividend.

Other Information

RESULTS AND APPROPRIATIONS

The results of the Group for the six months ended 30 June 2012 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 2012 (2011: 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 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.

Other Information

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

As at 30 June 2012, 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%
Zhang Hongwang	Beneficial owner	Long position	60,000	0.007%
Huang Wanneng	Beneficial owner	Long position	60,000	0.007%

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 2012, 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.

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 2012, 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 2012.

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 2012 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 2012.

By Order of the Board
Lin Shengxiong
Chairman
Hong Kong, 29 August 2012