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## **Sijia Group Company Limited**

**思嘉集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1863)**

### **PLACING OF NON-LISTED WARRANTS**

#### **SUMMARY**

The Directors are pleased to announce that on 17 November 2010 (after trading hours), the Warrant Placing Agreement was entered into between the Company and the Placing Agent whereby the Company appointed the Placing Agent as the sole and exclusive agent to procure not less than six Placées to subscribe for up to 35,000,000 Warrants, on a best effort basis, at the Warrant Issue Price of HK\$0.01 per Warrant.

The Warrants entitle the Placées to subscribe for a maximum of 35,000,000 New Shares at an initial subscription price of HK\$4.50 per New Share (subject to adjustments) for a period of thirty (30) months commencing from the date immediately after the expiry date of six (6) months after the date of the issue of the Warrants. Each Warrant carries the right to subscribe for one New Share.

It is intended that the net proceeds from the Warrant Placing of up to approximately HK\$170,000 will be applied as general working capital of the Group and any additional proceeds from the issue of the New Shares upon the exercise of the subscription rights attaching to the Warrants in future up to a maximum amount of HK\$157.5 million will be applied to expand the production capacity for reinforced materials by acquiring production facilities for producing membrane structure and waterproofing membrane.

The New Shares to be allotted and issued upon the exercise of the subscription rights attaching to the Warrants will be issued under the General Mandate.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

**As the Warrant Placing Agreement may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in Shares.**

The Directors are pleased to announce that on 17 November 2010 (after trading hours), the Warrant Placing Agreement was entered into between the Company and the Placing Agent whereby the Company appointed the Placing Agent as the sole and exclusive agent to procure not less than six Placees to subscribe for up to 35,000,000 Warrants, on a best effort basis, at the Warrant Issue Price of HK\$0.01 per Warrant.

### **THE WARRANT PLACING AGREEMENT**

Set out below is a summary of the principal terms on the placing of Warrants:

Date: 17 November 2010 (after trading hours).

Parties: (i) The Company; and

(ii) The Placing Agent. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the Placing Agent and its ultimate beneficial owner(s) is the party independent of and not connected with, and is not acting in concert (as defined under the Takeovers Code) with the Company and its connected persons.

Placees: The Warrants will be placed with not less than six Placees, who will be institutional, corporate and/or individual investors. The choice of Placees shall be determined solely by the Placing Agent, subject to the requirements of the Listing Rules. Notwithstanding the aforesaid, the Placing Agent will use its best endeavor to ensure that (i) each of the Placees and/or their respective ultimate beneficial owner(s) is the party independent of and not connected with, and is not acting in concert (as defined under the Takeovers Code) with the Company and its connected persons; and (ii) immediately upon the exercise of the subscription rights attached to the Warrants, none of the Placees will become a substantial shareholder of the Company.

Conditions: Completion of the Warrant Placing Agreement is subject to the fulfillment of the following conditions:

- (i) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in all the New Shares either unconditionally or subject to conditions to which neither the Company nor the Placing Agent shall reasonably object and the satisfaction of such conditions; and
- (ii) any other approval as may be required for the Warrant Placing.

In the event that any of the above conditions is not fulfilled on or before 30 November 2010 (or such later date as may be agreed between the Company and the Placing Agent), the Warrant Placing Agreement will lapse and the obligations and liabilities of the Company and the Placing Agent under the Warrant Placing shall be null and void and the Company and the Placing Agent shall be released from all rights and obligations pursuant to the Warrant Placing save for any antecedent breaches.

Completion: Completion shall take place on the second Business Day next following the satisfaction of all the conditions mentioned above (exclusive of the date of satisfaction of the conditions) but not later than 30 November 2010 or such other date as the Company and the Placing Agent may agree.

Rescission: If any of the following events occurs at any time prior to 10:00 a.m. on the date of the Completion, the Placing Agent may (after such consultation with the Company and/or its advisers as the circumstances shall admit or be necessary), by giving a written notice to the Company, rescind the Warrant Placing Agreement without liability to the other party to the Warrant Placing Agreement and the Warrant Placing Agreement shall thereupon cease to have effect and none of the parties to the Warrant Placing Agreement shall have any rights or claims by reason thereof (save for any antecedent breaches):

- (a) in the reasonable opinion of the Placing Agent there shall have been since the date of the Warrant Placing Agreement such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Warrant Placing; or
- (b) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any matter whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

- (c) any material breach of any of the representations and warranties made by the Company in the Warrant Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Warrant Placing Agreement and prior to the Completion which if it had occurred or arisen before the date of the Warrant Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Warrant Placing Agreement; or
- (d) there is any adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agent is material in the context of the Warrant Placing.

### **PRINCIPAL TERMS OF THE WARRANTS**

Number of Warrants:	35,000,000 Warrants, which will rank pari passu in all respects among themselves.
Warrant Issue Price:	HK\$0.01 per Warrant.
Number of New Shares issuable upon full exercise:	Upon full exercise of the subscription rights attached to the Warrants (assuming that there will be no further changes in the issued share capital of the Company prior to such exercise and no adjustment to the subscription price of the Warrants), 35,000,000 New Shares will be issued which represent approximately 4.22% of the Company's existing issued share capital and approximately 4.05% of the Company's issued share capital as enlarged by the issue of the New Shares.

Subscription price and right: Each Warrant will carry the right to subscribe for one New Share at the initial subscription price of HK\$4.50 per New Share, subject to adjustments for, among others, subdivision or consolidation of Shares, issues of Shares by capitalisation of profits or reserves, capital distribution to Shareholders, grant to Shareholders of rights to acquire for cash assets of the Company or any of its subsidiaries, offer or grant by the Company to Shareholders of new Shares for subscription by way of rights or a grant of options or warrants to subscribe for new Shares at a price which is less than 40% of the then market price, an issue wholly for cash being made by the Company or any of its subsidiaries of securities convertible into or exchangeable for or carrying rights of subscription for new Shares (if in any case the total effective consideration per new Share initially receivable for such securities is less than 90% of the then market price, or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration is less than 90% of such market price) and issue of Shares wholly for cash at a price of less than 90% of the then market price. Every adjustment to the subscription price of the Warrants will be certified by the auditors of the Company or an approved merchant bank.

The initial subscription price and the Warrant Issue Price (in aggregate and being HK\$4.51) represents:

- (i) a premium of approximately 5.87% to the closing price of HK\$4.26 per Share as quoted on the Stock Exchange on 17 November 2010, being the date of the Warrant Placing Agreement; and
- (ii) a discount of approximately 0.44% to the average closing price of HK\$4.53 per Share as quoted on the Stock Exchange for the last 5 trading days of the Shares immediately before and including the date of the Warrant Placing Agreement; and
- (iii) a discount of approximately 2.17% to the average closing price of HK\$4.61 per Share as quoted on the Stock Exchange for the last 10 trading days of the Shares immediately before and including the date of the Warrant Placing Agreement.

The subscription price was determined after arm's length negotiations between the Company and the Placing Agent. The Board is of the opinion that the initial subscription price and the aggregate of it with the Warrant Issue Price are fair, reasonable and in the best interest of the Company and its Shareholders as a whole.

The rights of the holders of the Warrants to subscribe for fully paid New Shares shall be subject to such maximum number of Warrants after the lapse of the prescribed time period as described below:

<b>Prescribed Time Period</b>	<b>Percentage of the Warrants exercisable for subscription of New Shares</b>
Not applicable during six months after issue of the Warrants	
After the lapse of the sixth month from the date of issue of the Warrants	Up to 20%
After the lapse of the twelfth month from the date of issue of the Warrants	Up to 40%
After the lapse of the eighteenth month from the date of issue of the Warrants	Up to 60%
After the lapse of the twenty-fourth month from the date of issue of the Warrants	Up to 80%
After the lapse of the thirtieth month from the date of issue of the Warrants	Up to 100%

Subscription restriction: Holder(s) of the Warrants shall not be entitled to exercise the whole or part of the subscription rights under the Warrant(s) to the extent that immediately after such exercise, the relevant holder together with parties acting in concert with it (as defined under the Takeovers Code), taken together, will, directly or indirectly, control or be interested in 30% or more of the voting rights of the Company (or in such percentage as may from time to time be specified in the Takeovers Code being the level for triggering a mandatory general offer) or otherwise, a general offer shall be given in accordance with the requirement of the Takeovers Code or where applicable, waiver from the shareholders of the Company is obtained in accordance with the Takeovers Code. Further, holders of Warrant shall not have the right to exercise the whole or part of the subscription rights under the Warrant(s) to the extent that immediately after such exercise, there will not be sufficient public float of the Shares as required under the Listing Rules.

Exercise period: Thirty (30) months commencing from the date immediately after the expiry date of six (6) months after the date of the issue of the Warrants.

Transferability: The Warrants are transferable in integral multiples of 1,000,000 Warrants provided that (i) no assignment of the Warrants shall be made unless the proposed transferee has provided the Company with a written confirmation of independence; and (ii) no transfer of Warrants to connected persons shall be allowed without the prior approval of the Company and the Stock Exchange.

Listing: No application will be made for the listing of the Warrants on the Stock Exchange or any other exchange, but application will be made for the listing of, and permission to deal in, New Shares on the Stock Exchange.

Ranking of the New Shares: The News Shares, when issued and fully paid up, will rank pari passu in all respects with the Shares in issue at the time of when the subscription rights attached to the Warrant(s) concerned are duly exercised.

Fractional entitlements: Upon exercise of the subscription rights under the Warrants, no fraction of a Share will be allotted but any balance representing fractions of the subscription moneys paid on exercise of the subscription rights represented by the relevant Warrant will be refunded by the Company to the relevant holder of Warrants.



Call:	If at any time Warrants which have not been exercised carry rights to subscribe less than 10% in value of all subscription rights, the Company may, on giving not less than 3 months' notice, require holders of the Warrants either to exercise their subscription rights or to allow them to lapse. On expiry of such notice, all unexercised Warrants will be automatically cancelled without compensation to holders of such Warrants.
Dividend or other distribution entitlement:	Holders of the Warrants shall not be entitled to receive any dividend or other distribution in respect of the financial year ended 31 December 2010 as may be announced by the Company prior to the exercise period as referred to hereinabove.
Warrant placing fee:	The Placing Agent will receive a fixed fee of HK\$80,000 pursuant to the Warrant Placing Agreement.

## **USE OF PROCEEDS AND REASONS FOR THE WARRANT PLACING**

The net proceeds from the Warrant Placing is approximately HK\$170,000, which is intended to be used as the general working capital of the Group. Any additional proceeds from the issue of the New Shares upon the exercise of the subscription rights attaching to the Warrants in future up to a maximum amount of HK\$157.5 million will be applied to expand the production capacity for reinforced materials by acquiring production facilities for producing membrane structure and waterproofing membrane. Assuming the full exercise of the subscription rights attaching to the Warrants, the total net funds, including the funds raised by the Warrant Placing, to be raised is approximately HK\$157.67 million. The net price to the Company of each Warrant, which is calculated by dividing the aggregate net proceeds from the Warrant Placing and the exercise of the subscription right attaching to the Warrants by the total number of the Warrant, is approximately HK\$4.50.

The Board considers that the Warrant Placing Agreement was entered into on normal commercial terms after arm's length negotiations between the Company and the Placing Agent and that the terms of the Warrant Placing Agreement (including the Warrant Issue Price and the subscription price of the Warrants) are fair and reasonable so far as the interests of the Company and its Shareholders as a whole are concerned. The Board also considers that the Warrant Placing Agreement will strengthen the financial position (in particular, the working capital and cash flow position) of the Group.

## **MANDATE TO ISSUE NEW SHARES**

The New Shares will be issued pursuant to the General Mandate. Immediately prior to entering into the Warrant Placing Agreement, the General Mandate had not been utilized and thus the maximum number of new Shares which could be issued under the General Mandate was 160,000,000 Shares (not exceeding 20% of the total nominal value of the share capital of the Company in issue immediately following completion of the global offering of the Company in April 2010 and the capitalization issue (excluding any shares which may be issued pursuant to the over-allotment option of the global offering and any shares which may be issued upon exercise of any options that may be granted under the share option scheme)).



## EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

The Shares of the Company were listed on the Stock Exchange on 29 April 2010 with net proceeds from the share offering and the exercise of the over-allotment option received by the Company of approximately HK\$600.0 million and approximately HK\$91.3 million, respectively (after deducting underwriting commission and related expenses).

	<b>Available to utilize</b>	<b>Utilised (as at 30 September 2010)</b>	<b>Unutilised (as at 30 September 2010)</b>
	<i>HKD million (Approximately)</i>	<i>HKD million (Approximately)</i>	<i>HKD million (Approximately)</i>
<b>Net Proceeds from the share offering:</b>			
Expansion of production capacity at existing plants and increase in product offerings	210.9	210.9	–
Expansion of the sales network and distribution channels, brand building and product promotion	172.6	10.5	162.1
Enhancement of research and development capabilities	133.8	16.8	117.0
Upgrade of the ERP system	22.7	6.4	16.3
Additional general working capital	60.0	–	60.0
	<u>600.0</u>	<u>244.6</u>	<u>355.4</u>
<b>Total</b>			
<b>Net Proceeds from the exercise of the over-allotment option:</b>			
Expansion of production offerings	45.8	10.7	35.1
Possible acquisition of land in Fuzhou and/or Xiamen	45.5	–	45.5
	<u>91.3</u>	<u>10.7</u>	<u>80.6</u>
<b>Total</b>			

Save as disclosed above, there is no other fund raising activity conducted by the Company during the past 12 months immediately preceding the date of this announcement.

## CHANGES OF SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 828,831,000 Shares in issue. The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the full exercise of the subscription rights attaching to the Warrants (assuming that there will be no further changes in the issued share capital of the Company prior to such exercise and no adjustment to the subscription price of the Warrants) are as follows:

	As at the date of this announcement		Immediately after the full exercise of the subscription rights attaching to Warrants	
	No. of Shares	approximate %	No. of Shares	approximate %
Hopeland International Holdings Company Limited ( <i>Note 1</i> )	510,000,000	61.53%	510,000,000	59.04%
Glory Bright Investments Enterprise Limited ( <i>Note 2</i> )	90,000,000	10.85%	90,000,000	10.42%
<b>Public</b>				
The Placees	–	–	35,000,000	4.05%
Other Public	228,831,000	27.62%	228,831,000	26.49%
Sub-total	228,831,000	27.62%	263,831,000	30.54%
<b>Total</b>	<b>828,831,000</b>	<b>100.00%</b>	<b>863,831,000</b>	<b>100.00%</b>

Notes:

Note 1: The entire issued share capital of Hopeland International Holdings Company Limited is beneficially owned by Mr. Lin Shengxiong.

Note 2: The entire issued share capital of Glory Bright Investments Enterprise Limited is beneficially owned by Mr. Lin Wanpeng.

## IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 15.02(1) of the Listing Rules, the New Shares to be issued on exercise of the Warrants must not, when aggregated with all other equity securities remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the Warrants are issued. Options granted under share option schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of such limit. As at the date of this announcement, there are 50,000,000 options entitling the holder of the option to subscribe for 50,000,000 Shares under the share option scheme adopted by the Company. Save as disclosed above, there are no other securities with subscription rights

outstanding and not yet exercised. Assuming full exercise of the subscription rights attaching to the Warrants, 35,000,000 Shares will be issued, representing (i) approximately 4.22% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.05% of the issued share capital of the Company as enlarged by the allotment and issue of all of the Shares under the Warrants, assuming no Shares are further issued or repurchased and no adjustment to the subscription price of the Warrants. Accordingly, the issue of the Warrants is in compliance with Rule 15.02(1) of the Listing Rules.

## **GENERAL**

The principal activities of the Group are the design, development, manufacture and sale of polymer processed high strength polyester fabric composite materials and other reinforced composite materials and conventional materials. The Group has also expanded into the design, development, manufacture and sale of downstream related inflatable and waterproof products targeting the outdoor leisure, recreation and sports consumer market and environment protection market.

**Completion of the Warrant Placing is subject to the satisfaction of the conditions precedent in the Warrant Placing Agreement.**

**As the Warrant Placing Agreement may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in Shares.**

## **DEFINITIONS**

Terms or expressions used in this announcement shall, unless the context otherwise requires, shall have the meanings ascribed to them below:

“Board”	the board of Directors
“Business Day”	any day (excluding Saturday(s)) on which banks in Hong Kong are open for business
“Company”	Sijia Group Company Limited, a company incorporated in Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Warrant Placing
“connected person(s)”	has the meaning given to that term in the Listing Rules
“Directors”	the directors of the Company

“General Mandate”	the general mandate granted to the Directors by the written resolutions of all the Shareholders passed on 8 April 2010 to allot and issue new Shares which is subject to the limit up to 20% of the total nominal value of the share capital of the Company in issue immediately following completion of the global offering of the Company in April 2010 and the capitalization issue (excluding any shares which may be issued pursuant to the over-allotment option of the global offering and any shares which may be issued upon exercise of any options that may be granted under the share option scheme)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	a maximum of 35,000,000 new Shares which may fall to be allotted and issued upon the exercise of the subscription rights attached to the Warrants
“Placee(s)”	the subscriber(s) of the Warrants procured by the Placing Agent
“Placing Agent”	China Merchants Securities (HK) Co., Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong)
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.001 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong

“Warrant(s)”	up to a maximum of 35,000,000 units of unlisted warrants to be issued by the Company at the Warrant Issue Price per Warrant, in registered form, conferring rights to the holders thereof to subscribe for Share(s) at an initial subscription price of HK\$4.5 per Share (subject to adjustments)
“Warrant Issue Price”	HK\$0.01 per unit of Warrant
“Warrant Placing”	placing of the Warrants at the Warrant Issue Price pursuant to the Warrant Placing Agreement
“Warrant Placing Agreement”	the conditional placing agreement dated 17 November 2010 and entered into between the Company and the Placing Agent in relation to the Warrant Placing
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board  
**Sijia Group Company Limited**  
**Chan Wing Hang**  
*Company Secretary*

Hong Kong, 17 November 2010

*As at the date of this announcement, the executive Directors are Mr. Lin Shengxiong, Mr. Zhang Hongwang and Mr. Huang Wanneng, and the independent non-executive Directors are Mr. Chan Tsz Fu, Jacky, Mr. Cai Weican and Mr. Choi Tze Kit, Sammy.*