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## **SINO HAIJING HOLDINGS LIMITED**

**中國海景控股有限公司**

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

(Stock code: 8065)

**(1) VERY SUBSTANTIAL ACQUISITIONS AND CONNECTED  
TRANSACTIONS INVOLVING THE ISSUE OF CONSIDERATION SHARES  
(2) VERY SUBSTANTIAL DISPOSAL  
AND  
(3) RESUMPTION OF TRADING**

**Financial adviser to the Company**



### **WISDOM SUN ACQUISITION**

On 13 November 2007, Great Prospect entered into the Wisdom Sun Acquisition Agreement with Mrs. Chao, pursuant to which Great Prospect will conditionally acquire from Mrs. Chao 100% interest in Wisdom Sun at a total consideration of HK\$171,965,517.

The Wisdom Sun Consideration will be satisfied as to (i) HK\$38,000,000 in cash, and (ii) HK\$133,965,517 by the allotment and issue of an aggregate of 120,689,655 Wisdom Sun Consideration Shares at an issue price of HK\$1.11 each by the Company to Haijing Holdings.

### **DRAGON VAULT ACQUISITION**

On 13 November 2007, Great Prospect entered into the Dragon Vault Acquisition Agreement with Mr. Chao, pursuant to which Great Prospect will conditionally acquire from Mr. Chao 100% interest in Dragon Vault at a total consideration of HK\$7,000,000 to be satisfied by cash.

## **THE DISPOSAL**

On 13 November 2007, Innovis BVI entered into the Disposal Agreement with Mr. Lam, pursuant to which Innovis BVI will conditionally dispose of 100% interest in Innovis HK to Mr. Lam at a total consideration of HK\$50,000 in cash.

Upon completion of the Disposal Agreement, the Company will cease to hold any interest in Innovis HK, which will cease to be a subsidiary of the Company.

## **IMPLICATION UNDER THE GEM LISTING RULES**

### **The Acquisitions**

Mrs. Chao is the spouse of Mr. Chao. Mr. Chao is a Director and the controlling shareholder of the Company, holding approximately 50.15% issued Shares of the Company. Hence, both Mr. and Mrs. Chao are connected persons of the Company. The Acquisitions constitute connected transactions for the Company under the GEM Listing Rules and will be subject to the approval of the Independent Shareholders. In addition, as the applicable percentage ratios under the GEM Listing Rules of the Acquisitions are more than 100%, the Acquisitions also constitute very substantial acquisitions for the Company.

### **The Disposal**

As the applicable percentage ratios under Rule 19.06 of the GEM Listing Rules in respect of the Disposal exceed 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 19 of the GEM Listing Rules and is therefore conditional on the approval of the Shareholders at the EGM. Since Mr. Lam and his associates are not Shareholders and no Shareholder has any special interest in the Disposal, no Shareholder would be required to abstain from voting at the EGM convened to approve the Disposal.

## **PROPOSED GRANT OF ACQUISITION SPECIAL MANDATE**

In contemplation of the Wisdom Sun Acquisition Agreement and the contemplated transactions, the Company proposes to seek the approval of the Independent Shareholders of the grant of Acquisition Special Mandate to cover the allotment and issue of the Wisdom Sun Consideration Shares.

## **GENERAL**

An EGM will be held to consider and, if thought fit, to approve the Wisdom Sun Acquisition, the Dragon Vault Acquisition, the Disposal and the Acquisition Special Mandate. Under the GEM Listing Rules, the Company will issue a circular to the Shareholders as soon as possible, in which, among other things, details of (i) the Wisdom Sun Acquisition; (ii) the Dragon Vault Acquisition; (iii) the Disposal; (iv) a letter from the independent board committee of the Company containing its advice and recommendation to the Independent Shareholders in respect of the Acquisitions; (v) a letter from an independent financial adviser to the independent board committee of the Company and the Independent Shareholders containing its advice to the independent board committee of the Company and the Independent Shareholders in respect of the Acquisitions; and (vi) a notice of the EGM will be provided.

At the request of the Company, trading in Shares on GEM was suspended from 9:30 a.m. on 14 November 2007 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on GEM with effect from 9:30 a.m. on 22 November 2007.

## **WISDOM SUN ACQUISITION AGREEMENT**

Date:

13 November 2007

Parties

Vendor: Mrs. Chao

Purchaser: Great Prospect

### **Subject of the Wisdom Sun Acquisition**

100% issued share capital in Wisdom Sun which is beneficially and legally held by Mrs. Chao.

### **Wisdom Sun Consideration**

The consideration for the Wisdom Sun Acquisition is HK\$171,965,517, which was determined on arm's length basis. Wisdom Sun Consideration shall be payable by Great Prospect to Mrs. Chao:

- (i) as to HK\$38,000,000 payable in cash ("Wisdom Sun Cash Payment"), in which HK\$13,000,000 will be payable on completion of the Wisdom Sun Acquisition Agreement, and HK\$25,000,000 will be payable within 12 months from the date of completion of the Wisdom Sun Acquisition Agreement; and

- (ii) as to HK\$133,965,517 by the Company issuing the 120,689,655 Wisdom Sun Consideration Shares to Haijing Holdings at an issue price of HK\$1.11 per Wisdom Sun Consideration Share.

The Wisdom Sun Cash Payment will be funded by the Group's internal resources and/or bank borrowings and/or other fund raising exercise.

The Wisdom Sun Consideration was determined after arm's length negotiations between the parties after having taken into account, among other things, (i) the Profit Guarantee Undertaking Letter; (ii) the track record, client base and business prospects of the Wisdom Sun Group; and (iii) the potential profitability of Dalian Haijing. Taking the above factors into account, the Directors are of the view that the terms of the Wisdom Sun Acquisition Agreement and the Wisdom Sun Consideration are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The basis in respect of the issue price of the Wisdom Sun Consideration Shares was determined between the parties, among other things, after arm's length negotiations with reference to the Company's recent share price performance at the time when the Wisdom Sun Acquisition Agreement was entered into between Mrs. Chao and Great Prospect.

The issue price of HK\$1.11 per Wisdom Sun Consideration Share represents:

- (i) a premium of approximately 5.71% to the closing price of HK\$1.050 per Share as quoted on the Stock Exchange on 13 November 2007, being the last trading day prior to the suspension in trading of Shares and pending the release of this announcement (the "Last Trading Day");
- (ii) a premium of approximately 2.59% over the average of the closing prices of the Shares of HK\$1.082 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 0.73% over the average of the closing prices of the Shares of HK\$1.102 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day.

The Wisdom Sun Consideration Shares represent approximately 99.33% of the existing issued share capital of the Company, and approximately 49.83% of the issued share capital of the Company as enlarged by the Wisdom Sun Consideration Shares.

Acquisition Special Mandate from the Independent Shareholders will be sought at the EGM for the issue of the Wisdom Sun Consideration Shares. An application will be made to the Stock Exchange for the listing of and permission to deal in the Wisdom Sun Consideration Shares which will rank pari passu in all respects with the existing Shares as at the date of allotment.

The Directors consider that the proposed issue price of the Wisdom Sun Consideration Shares is fair and reasonable.

## **Wisdom Sun Conditions Precedent**

Completion of the Wisdom Sun Acquisition is conditional upon fulfillment of the following:

- (1) the Independent Shareholders granting approval for the Wisdom Sun Acquisition Agreement and the transactions contemplated therein, including the issue of the Wisdom Sun Consideration Shares;
- (2) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Wisdom Sun Consideration Shares;
- (3) no material adverse change in respect of the legal, financial, business or trading position of the Wisdom Sun Group from the date of the Wisdom Sun Acquisition Agreement up to Wisdom Sun Completion;
- (4) completion of legal, business and financial due diligence on the Wisdom Sun Group to the satisfaction of Great Prospect;
- (5) waiver or capitalization of a shareholder's loan of RMB5,636,910 which was borrowed by Wisdom Sun from Mrs. Chao, and that Wisdom Sun shall have no other borrowings;
- (6) the obtaining of all such approvals and permissions necessary for the execution and performance of the Wisdom Sun Acquisition Agreement by Mrs. Chao, if any;
- (7) completion of all the approval procedures in respect of the acquisition of 100% equity interest in Huizhou Haijing by Wise Star, and Huizhou Haijing is 100% legally and beneficially owned by Wise Star;
- (8) completion of all the approval procedures in respect of the acquisition of 100% equity interest in Hefei Haijing by Wise Star, and Hefei Haijing is 100% legally and beneficially owned by Wise Star;
- (9) completion of all the approval procedures in respect of the acquisition of 100% equity interest in Qingdao Haijing Mould Products by Wise Star, and Qingdao Haijing Mould Products is 100% legally and beneficially owned by Wise Star;
- (10) completion of all the approval procedures in respect of the acquisition of 100% equity interest in Qingdao Xinhaijing by Wise Star, and Qingdao Xinhaijing is 100% legally and beneficially owned by Wise Star;

- (11) completion of all the approval procedures in respect of the acquisition of 100% equity interest in Qingdao Haijing by Wise Star, and Qingdao Haijing is 100% legally and beneficially owned by Wise Star;
- (12) completion of all the approval procedures in respect of the acquisition of 90% equity interest in Qingdao Haijing Paper by Honor Glory, and Qingdao Haijing Paper is 90% legally and beneficially owned by Honor Glory;
- (13) legal opinion on the PRC companies comprised in the Wisdom Sun Group by the PRC lawyers of the Company or Great Prospect, and acceptable to the Company or Great Prospect;
- (14) other documents as required by Great Prospect.

Great Prospect may by notice in writing waive the conditions in paragraphs (3) to (14) as set out above. In the event that the conditions are not fulfilled or waived within 6 months from the date of the Wisdom Sun Acquisition Agreement or any later date as may be agreed between the parties, the Wisdom Sun Acquisition Agreement shall be terminated.

### **Wisdom Sun Completion**

Completion of the Wisdom Sun Acquisition Agreement shall occur on the 15th business day (or such other date as may be agreed between Great Prospect and Mrs. Chao) upon fulfillment or waiver (as the case may be) of all conditions set out under the paragraph headed "Wisdom Sun Conditions Precedent" above.

### **DRAGON VAULT ACQUISITION AGREEMENT**

Date

13 November 2007

Parties

Vendor: Mr. Chao

Purchaser: Great Prospect

### **Subject of the Dragon Vault Acquisition**

100% issued share capital in Dragon Vault which is beneficially and legally held by Mr. Chao.

## **Dragon Vault Consideration**

The consideration for the Dragon Vault Acquisition is HK\$7,000,000, which was determined on arm's length basis. Dragon Vault Consideration shall be payable on completion of the Dragon Vault Acquisition Agreement by Great Prospect to Mr. Chao in cash.

The Dragon Vault Consideration will be funded by the Group's internal resources and/or bank borrowings and/or other fund raising exercise.

The Dragon Vault Consideration was determined after arm's length negotiations between the parties after having taken into account, among other things, (i) the Profit Guarantee Undertaking Letter; (ii) the net asset value of Hefei Meiling Rongfeng; and (iii) client base and business prospects of Hefei Meiling Rongfeng. Taking the above factors into account, the Directors are of the view that the terms of the Dragon Vault Acquisition Agreement and the Dragon Vault Consideration are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **Dragon Vault Conditions Precedent**

Completion of the Dragon Vault Acquisition is conditional upon fulfillment of the following:

- (1) the Independent Shareholders granting approval for the Dragon Vault Acquisition Agreement and the transactions contemplated therein;
- (2) no material adverse change in respect of the legal, financial, business or trading position of the Dragon Vault Group from the date of the Dragon Vault Acquisition Agreement up to Dragon Vault Completion;
- (3) completion of legal, business and financial due diligence on the Dragon Vault Group to the satisfaction of Great Prospect;
- (4) waiver or capitalization of a shareholder's loan of US\$515,805 which was borrowed by Dragon Vault from Mr. Chao, and that Dragon Vault shall have no other borrowings;
- (5) the obtaining of all such approvals and permissions necessary for the execution and performance of the Dragon Vault Acquisition Agreement by Mr. Chao, if any;
- (6) completion of all the approval procedures in respect of the acquisition of 65% equity interest in Hefei Meiling Rongfeng by Yearfull International, and Hefei Meiling Rongfeng is 65% legally and beneficially owned by Yearfull International;
- (7) legal opinion on the PRC company comprised in the Dragon Vault Group by the PRC lawyers of the Company or Great Prospect, and acceptable to the Company or Great Prospect;
- (8) other documents as required by Great Prospect.

Great Prospect may by notice in writing waive the conditions in paragraphs (2) to (8) as set out above. In the event that the conditions are not fulfilled or waived within 6 months from the date of the Dragon Vault Acquisition Agreement or any later date as may be agreed between the parties, the Dragon Vault Acquisition Agreement shall be terminated.

### **Dragon Vault Completion**

Completion of the Dragon Vault Acquisition Agreement shall occur on the 15th business day (or such other date as may be agreed between Great Prospect and Mr. Chao) upon fulfillment or waiver (as the case may be) of all conditions set out under the paragraph headed “Dragon Vault Conditions Precedent” above.

### **THE PROFIT GUARANTEE UNDERTAKING LETTER**

On 20 November 2007, Mr. Chao and Mrs. Chao gave a profit guarantee to Great Prospect pursuant to the Profit Guarantee Undertaking Letter, whereby Mr. and Mrs. Chao, jointly and severally, guaranteed and undertook to Great Prospect that the combined net profit after tax of each of the PRC companies comprised in the Wisdom Sun Group and Dragon Vault Group as shown in the audited accounts (“Audited Accounts”) issued by a qualified Hong Kong accounting firm using the applicable Hong Kong accounting principles (“Combined Net Profit”) for the year ending 31 December 2008 will not be less than RMB38,000,000. In calculating the Combined Net Profit, if any of the PRC companies comprised in the Wisdom Sun Group and the Dragon Vault Group is not indirectly wholly owned by Great Prospect, only the part of profit attributable to (directly or indirectly) Great Prospect shall be included.

In the event that the Combined Net Profit for the year ending 31 December 2008 is less than the Guaranteed Amount, Mr. Chao and Mrs. Chao would, jointly and severally, compensate Great Prospect with a sum in RMB, within 30 days after issuance of all of the Audited Accounts, calculated based on the following formula:

$$A \times (B - C)/B$$

where:

- A = 178,965,517, being the total consideration of HK\$178,965,517 under the Wisdom Sun Acquisition Agreement and the Dragon Vault Acquisition Agreement
- B = the Guaranteed Amount
- C = actual Combined Net Profit of the financial year ended 31 December 2008

An announcement will be made by the Company as soon as it is informed that the Combined Net Profit is less than the Guaranteed Amount in which information under Rule 20.57 of the GEM Listing Rules will be disclosed.



## **NON-COMPETITION UNDERTAKINGS**

On condition that the Wisdom Sun Acquisition Agreement or the Dragon Vault Acquisition Agreement has been completed, Mr. Chao and Mrs. Chao will provide the following non-competing undertakings to the Company:

- (1) Mr. Chao and Mrs. Chao and their respective associates (as defined in Rule 1.01 of the GEM Listing Rules) will not own any business or interest that will compete with the manufacturing and selling of EPS or paper honeycomb packaging materials carried out by the Group (the “Packaging Materials Business”) in the PRC, excluding Huizhou; and
- (2) where opportunities arise which may compete with the Packaging Materials Business of the Company in the PRC, the Company shall have the first right of refusal to take up such opportunity. Unless the Board decides to give up such opportunity, Mr. Chao, Ms. Chao and their respective associates (as defined in Rule 1.01 of the GEM Listing Rules) shall not engage in the relevant business and investment.

The above non-competition undertaking shall continue to be in full force until: (i) Mr. Chao or Ms. Chao and their respective associates (as defined in Rule 1.01 of the GEM Listing Rules) cease to hold at least 30% of the issued Shares; or (ii) the Shares ceased to be listed on the Stock Exchange, whichever is earlier.

The Wisdom Sun Group is principally engaging in the business of production and sale of EPS and paper honeycomb packaging materials. The design services in packaging products and moulds are ancillary business and are not considered as part of the principal business of the Wisdom Sun Group. As EPS packaging products are relatively bulky and hence transportation costs of EPS packaging products are very high, the EPS industry is a localized industry with each EPS factory serving its customers located nearby. Given the geographical limitations for the EPS packaging industry, the Directors consider that there is no competition for EPS business in different localities. As Mr. Chao has business in Huizhou, the PRC engaging in the production and sales of EPS products, the non-competition undertaking excludes Huizhou, the PRC. However, given that the Wisdom Sun Group has not been engaging in the production and sales of EPS products in Huizhou, the PRC, the Directors consider that Mr. Chao’s business in Huizhou would not compete with the business of the Wisdom Sun Group in the production and sales of EPS products.

## CHANGE IN SHAREHOLDINGS STRUCTURE

Set out below is the change in shareholding structure of the Company upon completion of the Wisdom Sun Acquisition and the issue of the Wisdom Sun Consideration Shares:

Shareholders	Shareholding as at the date of this announcement		Shareholding upon completion of issue of Wisdom Sun Consideration Shares	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Haijing Holdings Limited	51,909,350	42.72	172,599,005	71.27
Mr. Chao	9,030,000	7.43	9,030,000	3.73
<b>Public:</b>				
Other	<u>60,560,650</u>	<u>49.85</u>	<u>60,560,650</u>	<u>25.00</u>
Total	<u><u>121,500,000</u></u>	<u><u>100.00</u></u>	<u><u>242,189,655</u></u>	<u><u>100.00</u></u>

## DISPOSAL AGREEMENT

Date

13 November 2007

Parties

Vendor: Innovis BVI

Purchaser: Mr. Lam. Mr. Lam was an independent non-executive director of the Company before his resignation in November, 2005. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save as the aforesaid directorship, Mr. Lam is an Independent Third Party.

### Subject of the Disposal

100% issued share capital in Innovis HK which is beneficially held by Innovis BVI.

## **Disposal Consideration**

The consideration for the Disposal is HK\$50,000 which shall be payable on completion of the Disposal Agreement by Mr. Lam to the Company in cash. The Disposal Consideration was determined after arm's length negotiations between the parties after having taken into account the financial status of Innovis HK and the dim business prospects of IBS business. Taking the above factors into account, the Directors are of the view that the terms of the Disposal Agreement and the Disposal Consideration are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The net proceeds from the Disposal (after deducting therefrom the expenses and stamp duty payable) are expected to be approximately HK\$50,000 and will be applied as general working capital of the Group.

Based on the carrying value of investment in Innovis HK is equal to zero amount, the Directors estimate that a gain of approximately HK\$50,000 (subject to audit and after associated costs and other expenses) will arise on the Disposal.

## **Disposal Conditions Precedent**

Completion of the Disposal is conditional upon fulfillment of the following:

- (1) the Shareholders granting approval for the Disposal Agreement and the transactions contemplated therein in accordance with the GEM Listing Rules;
- (2) completion of legal, business and financial due diligence on Innovis HK to the satisfaction of Mr. Lam;
- (3) repayment of HK\$2,781,459 by Innovis HK to the Company. After the repayment, the Company shall waive the repayment of the remaining sum of a shareholder's loan amounting to HK\$7,577,689 by Innovis HK;
- (4) the obtaining of all such approvals and permissions necessary for the execution and performance of the Disposal Agreement by Innovis BVI, if any.

Mr. Lam may by notice in writing waive the conditions in paragraphs (2) and (4) as set out above. In the event that the conditions are not fulfilled or waived within 6 months from the date of the Disposal Agreement or any later date as may be agreed between the parties, the Disposal Agreement shall be terminated.

## **Disposal Completion**

Completion of the Disposal Agreement shall occur on the 7th day (or such other date as may be agreed between Innovis BVI and Mr. Lam) upon fulfillment or waiver (as the case may be) of all conditions set out under the paragraph headed "Disposal Conditions Precedent" above.

Upon completion of the Disposal Agreement, the Company will cease to hold any interest in Innovis HK, which will cease to be a subsidiary of the Company.

## **INFORMATION OF THE WISDOM SUN GROUP AND DRAGON VAULT GROUP**

Wisdom Sun is a company incorporated in the BVI with limited liability on 1 August 2007. It is wholly owned by Mrs. Chao as an entity with no operations other than investment holding. Wisdom Sun has two direct subsidiaries, i.e. Wise Star and Honor Glory. Wise Star and Honor Glory are companies with no operations other than investment holding.

Huizhou Haijing, Qingdao Haijing Mould Products, Qingdao Xinhaijing, Qingdao Haijing, Qingdao Haijing Paper, Hefei Haijing and Dalian Haijing were directly or indirectly wholly owned by Grand Great International Limited, a company wholly owned by Mrs. Chao. The total acquisition and/or investment costs incurred by Grand Great International Limited for acquiring or incorporating the aforesaid PRC companies within the Wisdom Sun Group amounted to approximately RMB56,481,000. On 30 October 2007, Wise Star entered into a series of share transfer agreements with Grand Great International Limited to acquire 100% interests in Huizhou Haijing, Qingdao Haijing Mould Products, Qingdao Xinhaijing, Qingdao Haijing and Hefei Haijing from Grand Great International Limited and Honor Glory entered into a share transfer agreement with Grand Great International Limited to acquire 90% interests in Qingdao Haijing Paper from Grand Great International Limited. According to the share transfer agreements, the aggregate consideration paid by Wise Star and Honor Glory to Grand Great International Limited was RMB5,636,910, which was determined with reference to the aggregate capital contributed by Grand Great International Limited at a discount. The aforesaid share transfers shall be approved by the relevant authorities in the PRC. Completion of the relevant approval procedures for the aforesaid share transfers are conditions precedent to completion of the Wisdom Sun Acquisition.

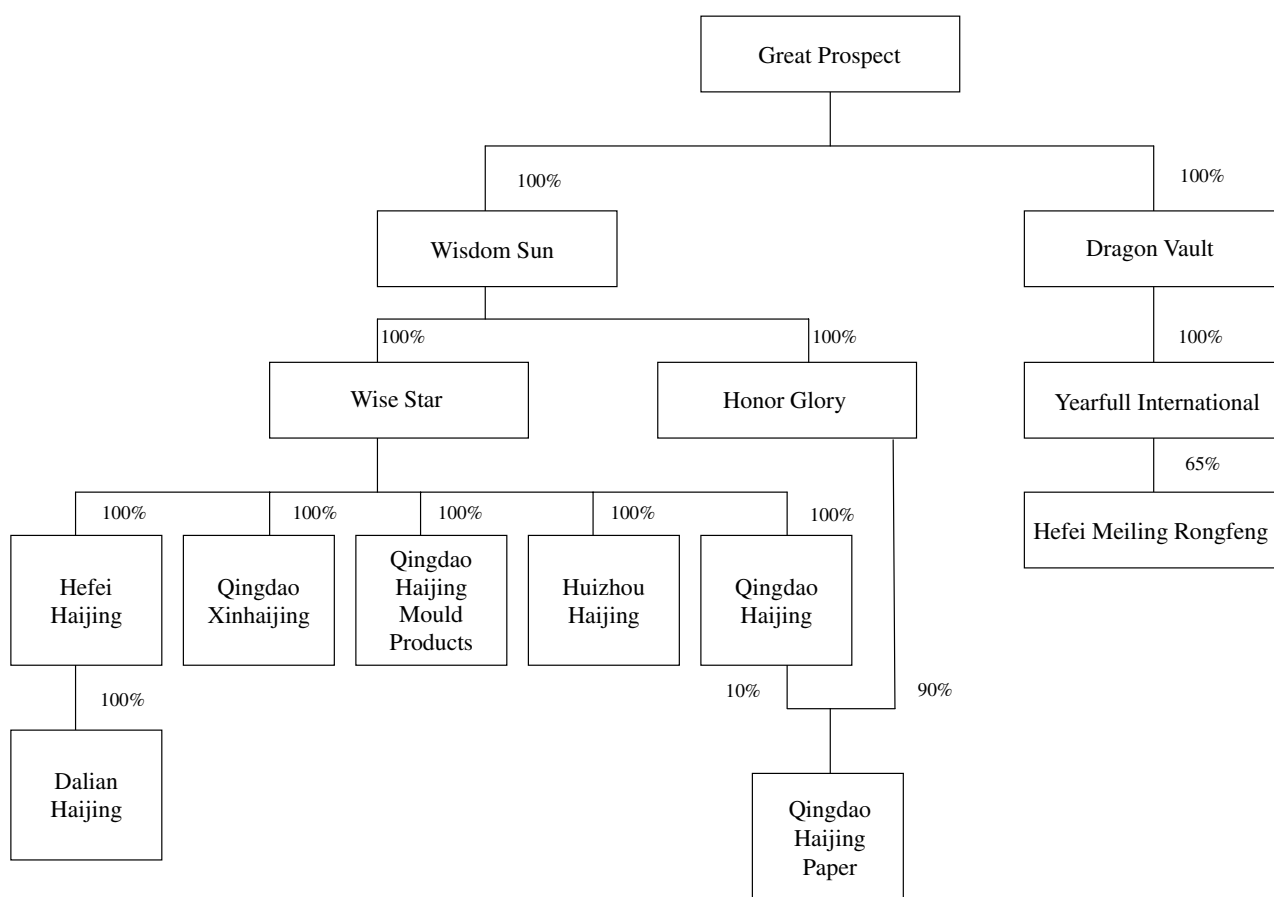
Wisdom Sun Group is mainly engaged in the business of production and sale of EPS and paper honeycomb packaging materials. As at the date hereof, Qingdao Xinhaijing, Qingdao Haijing and Hefei Haijing are mainly engaged in production and sale of EPS packaging materials. Qingdao Haijing Paper is mainly engaged in production and sale of paper honeycomb packaging materials. As EPS packaging products are relatively bulky and transportation costs of EPS packaging products would be very high, the EPS industry is a localized industry with each EPS factory serving its customers located nearby. In order to expand business, Dalian Haijing was set up in August 2007 to provide EPS packaging production and sales services in a new locality. Its operation is expected to commence in December 2007. Qingdao Haijing Mould Products and Huizhou Haijing provide back-up services for the EPS business. Qingdao Haijing Mould Products is mainly engaged in design and production of moulds for EPS packaging products, while Huizhou Haijing is mainly engaged in packaging product design.

Dragon Vault is a company incorporated in the BVI with limited liability on 12 May 2006. Mr. Chao acquired Dragon Vault as a shelf company from an Independent Third Party at a consideration of US\$100 on 16 October 2007. It is wholly owned by Mr. Chao as an entity with no operations other than investment holding. Dragon Vault has one direct subsidiary, i.e. Yearfull International. Yearfull International has no operations other than investment holding.

Hefei Meiling Rongfeng is a sino-foreign equity joint venture company, of which 65% equity interests are owned by Glory Full International Limited, a company wholly owned by Mr. Chao. Mr. Chao has invested US\$515,805, being the registered capital already contributed by Glory Full International Limited, in Hefei Meiling Rongfeng. On 30 October 2007, Yearfull International entered into a share transfer agreement with Glory Full International Limited to acquire 65% interests in Hefei Meiling Rongfeng from Glory Full International Limited for a consideration of US\$515,805, which was based on the registered capital already contributed by Glory Full International Limited. The aforesaid share transfer shall be approved by the relevant authorities in the PRC. Completion of the relevant approval procedures for the aforesaid share transfer is one of the conditions precedent to completion of the Dragon Vault Acquisition.

Hefei Meiling Rongfeng was established as a joint venture enterprise between Glory Full International Limited and Hefei Meiling Group Holding Limited (合肥美菱集團控股有限公司). Its registered capital is RMB30,000,000, and as at the date hereof, approximately RMB4,445,800 have been paid up. Hefei Meiling Group Holding Limited and its group of companies are engaged in electrical appliance production and sales. It is expected that Hefei Meiling Rongfeng will provide EPS packaging products to Hefei Meiling Group Holding Limited and its group of companies in the locality. Its operation is expected to commence at the end of 2007.

All of the companies comprised in Wisdom Sun Group and Dragon Vault Group will become subsidiaries of Great Prospect upon Wisdom Sun Completion and Dragon Vault Completion, and shareholding structure of Great Prospect upon Wisdom Sun Completion and Dragon Vault Completion is set out below:



## SELECTED FINANCIAL INFORMATION ON THE MAJOR OPERATING COMPANIES OF THE WISDOM SUN GROUP AND DRAGON VAULT GROUP

As at 30 June 2007, the net asset value of the Wisdom Sun Group amounted to approximately RMB88.2 million, and the net asset value of Hefei Meiling Rongfeng amounted to approximately RMB3.8 million. After 30 June 2007, (i) Qingdao Haijing had declared and paid dividends amounting to approximately RMB1,797,880 to its then sole shareholder, Grand Great International Limited; and (ii) Qingdao Haijing Mould Products and Hefei Haijing had respectively declared dividends amounting to an aggregate of approximately RMB11,051,097 to their then sole shareholder, Grand Great International Limited. Such dividends are expected to be paid to Grand Great International Limited before the Wisdom Sun Completion.

Set out below is the financial information of the major operating companies of the Wisdom Sun Group based on their respective unaudited management accounts prepared in accordance with accounting principles generally accepted in Hong Kong for the two years ended 31 December 2006.

### Hefei Haijing

Date of establishment: 3 January 2001

<i>RMB('000)</i>	For the year ended	
	31 December	
	2005	2006
Turnover	69,134	74,370
Profit/(loss) before taxation	11,799	14,458
Profit/(loss) after taxation	11,091	13,763

### Qingdao Haijing Mould Products

Date of establishment: 27 October 2003

<i>RMB('000)</i>	For the year ended	
	31 December	
	2005	2006
Turnover	3,138	3,995
Profit/(loss) before taxation	77	617
Profit/(loss) after taxation	77	617

## **Qingdao Xinhaijing**

Date of establishment: 13 August 2001

<i>RMB('000)</i>	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2005</b>	<b>2006</b>
Turnover	51,736	49,183
Profit/(loss) before taxation	(954)	1,533
Profit/(loss) after taxation	(954)	1,460

## **Qingdao Haijing**

Date of establishment: 13 June 2000

<i>RMB('000)</i>	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2005</b>	<b>2006</b>
Turnover	60,806	59,295
Profit/(loss) before taxation	6,087	8,524
Profit/(loss) after taxation	6,087	8,524

## **Qingdao Haijing Paper**

Date of establishment: 8 October 2006

<i>RMB('000)</i>	<b>For the period from its</b>	
	<b>establishment up to</b>	
	<b>31 December 2006</b>	
Turnover		0
Profit/(loss) before taxation		(47)
Profit/(loss) after taxation		(47)

For the three PRC companies of the Wisdom Sun Group or Dragon Vault Group that were incorporated in 2007, their financial information based on their respective unaudited management accounts prepared in accordance with accounting principles generally accepted in Hong Kong from their respective dates of incorporation up to 31 October 2007 are set out below:

### **Dalian Haijing**

Date of establishment: 23 August 2007

**For the period from its  
establishment up to  
31 October 2007**

*RMB('000)*

Turnover	(0)
Profit/(loss) before taxation	(468)
Profit/(loss) after taxation	(468)

### **Huizhou Haijing**

Date of establishment: 9 July 2007

**For the period from its  
establishment up to  
31 October 2007**

*RMB('000)*

Turnover	0
Profit/(loss) before taxation	(398)
Profit/(loss) after taxation	(398)



## Hefei Meiling Rongfeng

Date of establishment: 17 May 2007

**For the period from its  
establishment up to  
31 October 2007**

*RMB('000)*

Turnover	0
Profit/(loss) before taxation	(201)
Profit/(loss) after taxation	(201)

## INFORMATION ON INNOVIS HK

Innovis HK is principally engaged in the provision of IBS solutions, including IBS design, supply and installation services, IBS maintenance services and IBS consultancy services.

Set out below is the financial information of Innovis HK based on audited accounts of Innovis HK prepared in accordance with accounting principles generally accepted in Hong Kong for the two years ended 31 December 2006.

<i>HK('000)</i>	<b>For the year ended 31 December</b>	
	<b>2005</b>	<b>2006</b>
Turnover	19,428	4,511
Profit/(loss) before taxation	(7,535)	(7,008)
Profit/(loss) after taxation	(7,535)	(7,190)

The balance sheet information as per the unaudited management accounts of Innovis HK prepared in accordance with accounting principles generally accepted in Hong Kong as at 30 September 2007 is set out as follow:

	<i>(HK\$'000)</i>
<b>Non current assets</b>	
Property, plant and equipment	164
Available-for-sale financial assets	<u>863</u>
	<u>1,027</u>
<b>Current assets</b>	
Amounts due from related companies	465
Tax recoverable	6
Prepayments, deposits and other receivables	1,971
Trade receivables	161
Cash and cash equivalents	<u>1,454</u>
	<u>4,057</u>
<b>Current liabilities</b>	
Trade payables	1,085
Accruals and other payables	514
Amounts due to a related company	442
Amounts due to a director	154
Amounts due to intermediate holding company	<u>10,466</u>
	<u>12,661</u>
Net current assets/(liabilities)	(8,604)
Net assets/(liabilities)	<u><u>(7,577)</u></u>
<b>Capital and reserves</b>	
Share capital	327
Reserves	<u>(7,904)</u>
Total equity/(capital deficiency)	<u><u>(7,577)</u></u>

Since 30 September 2007, Innovis HK has paid back a portion of the shareholder's loan to the Company. Therefore, as at 13 November 2007, Innovis HK owed the Company shareholder's loans totaling HK\$10.359 million. Taking into account the said shareholder's loans, Innovis HK maintained cash holdings of approximately HK\$1.5 million and other current assets such as prepayments, deposits and other receivables. Since Innovis HK is a wholly-owned subsidiary of the Company, all loss incurred by Innovis HK will be absorbed by the Company, i.e. the Company shall waive the repayment of HK\$7.577 million of the shareholder's loans to Innovis HK (the amount equivalent to Innovis HK's capital deficiency as at 30 September 2007). However, the remaining amount of HK\$2.781 million (i.e. total shareholder's loans of HK\$10.359 million minus capital deficiency of HK\$7.577 million) will be recovered from Innovis HK.

The Directors believes that a sale of the loss-making Innovis HK as currently contemplated pursuant to the Disposal Agreement is the preferred solution since (1) the Company is able to recover the outstanding shareholder's loans of HK\$2.781 million and receive consideration of HK\$50,000; (2) a possible alternative such as liquidation of Innovis HK may not provide the Company as much certainty in funds recovered due to the relatively low recoverability of Innovis HK's assets (other than the "cash and cash equivalents" of HK\$1.454 million and "available-for-sale financial assets" of HK\$0.863 million as shown in the balance sheet as at 30 September 2007 above); (3) if Innovis HK were to undergo liquidation, the process will incur additional costs and further deplete funds recoverable by the Company; and (4) the Disposal Agreement can be executed within a relatively shorter time frame. Thus, the Directors believe a sale of Innovis HK via the Disposal Agreement is in the interests in the Company and its Shareholders as a whole.

## **REASONS FOR AND ADVANTAGES OF THE ACQUISITIONS AND THE DISPOSAL**

The Group is, through Innovis HK, principally engaged in the provision of IBS solutions, including IBS design, supply and installation services, IBS maintenance services and IBS consultancy services. The Group is operating in the IBS industry where intense competition exists and industry players adopt price-cutting strategy in bidding IBS contracts. It has been the Group's intention to develop business in the packaging industry in order to diversify the business risks associated in IBS industry. The Group commenced the business of trading of EPS and other packaging materials in the PRC in 2007, and the first factory of the Group engaging in the manufacturing of paper and honeycomb packaging materials is expected to commence its operation in December 2007.

For the nine months ended 30 September 2007, the Group's turnover for the IBS solutions and maintenance was approximately HK\$1.2 million, while the Group's turnover for the sales of EPS and other packaging materials was approximately HK\$6.4 million.

The Directors consider that the result of the Group's EPS packaging business started earlier this year is very encouraging, and the Acquisitions present excellent opportunities for the Group to further develop in this line of business.

Driven by China's strong economic growth and improving living standards, the demand for electrical products has been increasing. The cushion packaging materials is an inseparable part of packaging services required in the transportation of electrical products. Among the cushion packaging materials, EPS packaging materials are by far the most widely used and have a high market share in the cushion packaging materials market. Hence, the Directors are optimistic on the business prospects and future growth of the EPS packaging industry.

The Directors are optimistic on the business prospects of Wisdom Sun Group. Based on the financial information available to the Directors, the net profit margin of Wisdom Sun Group increased from 9.06% in 2005 to 13.13% in 2006, and the profit attributable to shareholders for the year ended 31 December 2005 amounted to approximately RMB14,770,000, which represents a growth rate of approximately 446% over the year ended 31 December 2004, and the profit attributable to shareholders for the year ended 31 December 2006 amounted to approximately RMB21,790,000, which represents a growth rate of approximately 47% over the year ended 31 December 2005. The Directors consider that the profit growth in Wisdom Sun Group in the past two years projected a good business prospects of the Wisdom Sun Group.

The Wisdom Sun Group provides a good mix of cushion packaging solutions. It comprises of companies with sound track record of manufacturing and sales of EPS and paper honeycomb packaging materials, as well as companies providing design and mould production services. It has established a clientele comprising certain famous electrical appliances manufacturers in the PRC. As the EPS packaging industry is a highly localized industry, the Wisdom Sun Group has expanded its business by establishing a new company in August 2007 in Dalian, the PRC to serve its customers in nearby locality.

Apart from the above factors, the Directors consider that the newly incorporated Dalian Haijing may have a steady flow of business, as it was set up after consultation with a well-known electrical appliance manufacturer in the PRC, and there is an understanding that the well-known electrical appliance manufacturer in the PRC (whose factory is located in the same area with Dalian Haijing) will engage Dalian Haijing to provide the EPS packaging materials.

The acquisition of Dragon Vault Group is an opportunity for the Group to expand its EPS packaging business with a well-known electrical appliances manufacturer in the PRC, namely, Hefei Meiling Group Holding Limited, being the joint venture partner of Hefei Meiling Rongfeng.

In view of the sharing of operating loss of Innovis HK that has brought an adverse impact on the Group's overall results and the promising future of the cushion packaging industry, the Directors expect that after the Disposal, the Company would be able to concentrate its resources in developing the Group's core business in the manufacturing of EPS, paper honeycomb, paper and other packaging materials to improve the results of the Group in the future.

## PROPOSED GRANT OF ACQUISITION SPECIAL MANDATE

In contemplation of the Wisdom Sun Acquisition and the contemplated transactions, the Company proposes to seek the approval of the Independent Shareholders of the grant of Acquisition Special Mandate to cover the allotment and issue of the Wisdom Sun Consideration Shares.

## FUND RAISING DURING THE PAST 12 MONTHS

Set out below is a table showing the fund raising exercise of the Company in the past 12 months:

Description	Announcement date	Completion date	Net amount raised	Intended use of proceeds as announced	Actual use of proceeds
Rights issue of 33,750,000 of rights shares on the basis of one rights share for every two consolidated shares at a subscription price of HK\$0.3 per right share	8 March 2007	7 May 2007	Approximately HK\$9.7 million	HK\$8.0 million used to fund the construction of production plant and the purchase of machinery and equipment and HK\$1.7 million for used as general working capital	The proceeds has been used as proposed
Placing of new shares	31 July 2007	17 August 2007	Approximately HK\$18.3 million	General working capital	Not yet been utilized

## IMPLICATION UNDER THE GEM LISTING RULES

### The Acquisitions

Mrs. Chao is the spouse of Mr. Chao. Mr. Chao is a Director and the controlling shareholder of the Company, holding approximately 50.15% issued Shares of the Company. Hence, both Mr. and Mrs. Chao are connected persons of the Company. The Acquisitions constitute connected transactions for the Company under the GEM Listing Rules and will be subject to the approval of the Independent Shareholders. In addition, as the applicable percentage ratios under the GEM Listing Rules of the Acquisitions are more than 100%, the Acquisitions also constitute very substantial acquisitions for the Company.

### The Disposal

As the applicable percentage ratios under Rule 19.06 of the GEM Listing Rules in respect of the Disposal exceed 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 19 of the GEM Listing Rules and is therefore conditional on the approval of the Shareholders at the EGM. Since Mr. Lam and his associates are not Shareholders and no Shareholder has any special interest in the Disposal, no Shareholder would be required to abstain from voting at the EGM convened to approve the Disposal.

## **GENERAL**

An EGM will be held to consider and, if thought fit, to approve the Wisdom Sun Acquisition, the Dragon Vault Acquisition, the Disposal and the Acquisition Special Mandate. Under the GEM Listing Rules, the Company will issue a circular to the Shareholders as soon as possible, in which, among other things, details of (i) the Wisdom Sun Acquisition; (ii) the Dragon Vault Acquisition; (iii) the Disposal; (iv) a letter from the independent board committee of the Company containing its advice and recommendation to the Independent Shareholders in respect of the Acquisitions; (v) a letter from an independent financial adviser to the independent board committee of the Company and the Independent Shareholders containing its advice to the independent board committee of the Company and the Independent Shareholders in respect of the Acquisitions; and (vi) a notice of the EGM will be provided.

At the request of the Company, trading in Shares on GEM was suspended from 9:30 a.m. on 14 November 2007 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on GEM with effect from 9:30 a.m. on 22 November 2007.

## **TERMS AND DEFINITION**

“Acquisitions”	the Dragon Vault Acquisition and the Wisdom Sun Acquisition
“Acquisition Special Mandate”	the special mandate to be sought from the Independent Shareholders to cover the allotment and issue of the Wisdom Sun Consideration Shares
“associate(s)”	as defined in the GEM Listing Rules
“Board”	the board of Directors of the Company
“business day(s)”	any day(s), except Saturday, Sunday and public holidays, on which banks in Hong Kong are open for business;
“BVI”	British Virgin Islands;
“Company”	Sino Haijing Holdings Limited, a limited liability company incorporated in Cayman Islands and the Shares of which are listed on GEM
“connected person(s)”	as defined in the GEM Listing Rules
“Dalian Haijing”	大連海景包裝製品有限公司 (Da Lian Haijing Packing Materials Co., Ltd.*), a limited liability company established in the PRC on 23 August 2007
“Disposal”	the proposed disposal of 100% interests in Innovis HK by Innovis BVI pursuant to the Disposal Agreement

“Disposal Agreement”	the agreement entered into between Innovis BVI and Mr. Lam pursuant to which Innovis BVI will conditionally dispose of 100% interest in Innovis HK to Mr. Lam
“Disposal Completion”	completion of the Disposal Agreement
“Disposal Consideration”	the total consideration of HK\$50,000 payable in cash by Mr. Lam to the Company for the Disposal
“Director(s)”	director(s) of the Company
“Dragon Vault Group”	Dragon Vault, Yearfull International and Hefei Meiling Rongfeng
“Dragon Vault”	Dragon Vault International Limited, a limited company incorporated in the BVI on 12 May 2006, which is wholly and beneficially owned by Mr. Chao
“Dragon Vault Acquisition”	the proposed acquisition by Great Prospect from Mr. Chao of the entire issued share capital of Dragon Vault pursuant to the Dragon Vault Acquisition Agreement
“Dragon Vault Acquisition Agreement”	the agreement entered into between Mr. Chao, as the vendor, and Great Prospect, as the purchaser, on 13 November 2007 in respect of the Dragon Vault Acquisition
“Dragon Vault Consideration”	the total consideration of HK\$7,000,000 payable by Great Prospect to Mr. Chao for the Dragon Vault Acquisition
“Dragon Vault Completion”	completion of the Dragon Vault Acquisition
“EGM”	the extraordinary general meeting of the Company to be held to consider, among other things, the Acquisitions and the Disposal
“EPS”	expandable polystyrene, a commonly used cushion packaging materials for electrical products
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Great Prospect”	Great Prospect Enterprises Limited, a limited company incorporated in the BVI and a wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries

“Guaranteed Amount”	RMB38,000,000
“Haijing Holdings”	Haijing Holdings Limited, a company incorporated in the BVI with limited liability and is wholly owned by Mr. Chao
“Hefei Haijing”	合肥海景包裝製品有限公司 (He Fei Haijing Packing Materials Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC on 3 January 2001
“Hefei Meiling Rongfeng”	合肥美菱榮豐包裝製品有限公司 (He Fei Mei Ling Rong Feng Packing Materials Co., Ltd.*), a sino-foreign equity joint venture company established in the PRC on 17 May 2007
“Honor Glory”	Honor Glory International Investment Limited, a limited company incorporated in Hong Kong on 2 October 2007, which is wholly and beneficially owned by Wisdom Sun
“Huizhou Haijing”	海景包裝設計開發(惠州)有限公司 (Haijing Packing Research & Development (Hui Zhou) Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC on 9 July 2007
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IBS”	acronym for intelligent building system
“Independent Shareholder(s)”	Shareholders, other than Mr. Chao and his associates, who are not connected nor interested in the Acquisitions, or not required to abstain from voting at the EGM
“Independent Third Party (Parties)”	third party (parties) independent from the Company, Mr. Chao, his associates and other connected persons of the Company
“Innovis BVI”	Innovis (IB) Limited, a limited liability company incorporated in the BVI, a wholly-owned subsidiary of the Company
“Innovis HK”	Innovis Technology Limited, a limited company incorporated in Hong Kong, an indirectly wholly-owned subsidiary of the Company
“Mr. Chao”	Mr. Chao Pang Fei, Director and beneficial owner of approximately 50.15% issued Shares of the Company as at the date hereof
“Mrs. Chao”	Ms. Sam Mei Wa, spouse of Mr. Chao



“Mr. Lam”	Mr. Lam Ying Hung Andy, a former independent non-executive Director and the purchaser under the Disposal Agreement
“Profit Guarantee Undertaking Letter”	an undertaking given by Mr. Chao and Mrs. Chao in favour of Great Prospect dated 20 November 2007
“PRC” or “China”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Qingdao Haijing Mould Products”	青島海景模具製品有限公司 (Qingdao Haijing Mould Products Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC on 27 October 2003
“Qingdao Xinhaijing”	青島新海景包裝製品有限公司 (Qingdao Xinhaijing Packing Materials Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC on 13 August 2001
“Qingdao Haijing”	青島海景包裝製品有限公司 (Qingdao Haijing Packing Materials Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC on 13 June 2000
“Qingdao Haijing Paper”	青島海景紙製品有限公司 (Qingdao Haijing Paper Products Company Limited*), a sino-foreign equity joint venture company established in the PRC on 8 October 2006
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wisdom Sun Group”	Wisdom Sun, Wise Star, Honor Glory, Huizhou Haijing, Qingdao Haijing Mould Products, Qingdao Xinhaijing, Qingdao Haijing, Qingdao Haijing Paper, Hefei Haijing and Dalian Haijing
“Wisdom Sun”	Wisdom Sun International Limited, a limited company incorporated in the BVI on 1 August 2007, which is wholly and beneficially owned by Mrs. Chao
“Wisdom Sun Acquisition”	the proposed acquisition by Great Prospect from Mrs. Chao of the entire issued share capital of Wisdom Sun pursuant to the Wisdom Sun Acquisition Agreement

“Wisdom Sun Acquisition Agreement”	the agreement entered into between Mrs. Chao, as the vendor, and Great Prospect, as the purchaser, on 13 November 2007 in respect of the Wisdom Sun Acquisition
“Wisdom Sun Consideration”	the total consideration of HK\$171,965,517 payable by Great Prospect to Mrs. Chao for the Wisdom Sun Acquisition
“Wisdom Sun Consideration Shares”	120,689,655 new Shares to be allotted and issued at the issue price of HK\$1.11 per Consideration Share to Haijing Holdings for the purpose of the settlement of part of the Wisdom Sun Consideration
“Wisdom Sun Completion”	completion of the Wisdom Sun Acquisition
“Wise Star”	Wise Star Group Holdings Limited, a limited company incorporated in Hong Kong on 28 September 2007, which is wholly and beneficially owned by Wisdom Sun
“Yearfull International”	Yearfull International Investment Limited, a limited company incorporated in Hong Kong on 2 October 2007, which is wholly and beneficially owned by Dragon Vault
“%”	per cent.

*Note:* For illustration purpose of this announcement, exchange rate of RMB1.00 = HK\$0.99 and US\$1.00 = RMB7.4538 has been used for conversion.

By order of the Board of  
**Sino Haijing Holdings Limited**  
**Chao Pang Fei**  
*Chairman*

Hong Kong, 21 November 2007

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material aspects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*As at the date of this announcement, the Board comprises of Mr. Chao Pang Fei (executive Director), Ms. Hui Hongyan (executive Director), Mr. Lan Yu Ping (non-executive Director), Mr. Chen Weirong (independent non-executive Director), Mr. Cheng Yun Ming, Matthew (independent non-executive Director) and Mr. Sin Ka Man (independent non-executive Director).*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website (<http://www.hkgem.com>) for at least seven days from the date of its posting*

*\* for identification purpose only*