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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

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This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcement" page for at least 7 days from the date of its posting and on the website of the Company at www.sinohaijing.com.

FINAL RESULTS

The board of directors (the "Board") of the Company herein present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008 together with the comparative audited figures for the corresponding period in 2007 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**2008** *HK$'000*	2007 *HK$'000*
Continuing operations			
Turnover	*3*	**313,097**	10,055
Cost of sales		**(238,721)**	(9,843)
Gross Profit		**74,376**	212
Other revenue	*3*	**4,182**	266
Other net income	*3*	**3,453**	483
Administrative and other operating expenses		**(31,582)**	(4,230)
Profit/(loss) from operations	*4*	**50,429**	(3,269)
Finance costs	*4*	**(6,323)**	–
Profit/(loss) before taxation		**44,106**	(3,269)
Income tax	*6*	**(7,781)**	–
Profit/(loss) for the year from continuing operations		**36,325**	(3,269)
Discontinued operations			
Loss for the year from discontinued operations		**–**	(4,838)
Profit/(loss) for the year		**36,325**	(8,107)
Attributable to:			
Equity shareholders of the Company		**34,793**	(8,107)
Minority interests		**1,532**	–
		36,325	(8,107)
Dividends	*8*	**–**	–
Earnings/(loss) per share			
From continuing and discontinued operations	*7*		
– Basic and diluted		**HK14.4 cents**	(HK8.3 cents)
From continuing operations			
– Basic and diluted		**HK14.4 cents**	(HK3.4 cents)

CONSOLIDATED BALANCE SHEET
At 31 December 2008

	Note	**2008** *HK$'000*	2007 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**116,015**	3,583
Lease premium for land		**22,272**	3,487
Goodwill	*9*	**67,723**	–
		206,010	7,070
CURRENT ASSETS			
Inventories		**18,318**	213
Lease premium for land		**514**	73
Trade and other receivables	*10*	**177,334**	15,024
Cash and cash equivalents		**5,254**	15,823
		201,420	31,133
Assets classified as held for sale		**–**	4,834
		201,420	35,967
CURRENT LIABILITIES			
Trade and other payables	*11*	**110,622**	6,928
Bank borrowings		**67,929**	–
Current taxation		**1,905**	–
		180,456	6,928
Liabilities associated with assets classified as held for sale		**–**	2,003
		180,456	8,931
NET CURRENT ASSETS		**20,964**	27,036
TOTAL ASSETS LESS CURRENT LIABILITIES		**226,974**	34,106
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**2,749**	–
NET ASSETS		**224,225**	**34,106**
CAPITAL AND RESERVES			
Issued capital		**24,219**	12,150
Reserves		**185,887**	21,956
Total equity attributable to equity shareholders of the Company		**210,106**	34,106
Minority interests		**14,119**	–
TOTAL EQUITY		**224,225**	34,106

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity shareholders of the Company									
	Issued capital	Share Premium	Capital reserve	Statutory surplus reserve	Translation reserve	Investment revaluation reserve	Retained profits/ (accumulated losses)	Total	Minority Interests	Total Equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1/1/2007	6,750	14,664	117	–		(140)	(7,794)	13,597	–	13,597
Issue of one rights share for every two existing shares	3,375	6,750	–	–		–	–	10,125	–	10,125
Placing of new shares	2,025	16,605	–	–		–	–	18,630	–	18,630
Issuing expenses	–	(878)	–	–	–	–	–	(878)	–	(878)
Exchange differences arising on translation of a foreign operation	–	–	–	–	599	–	–	599	–	599
Fair value gain on available-for–sale financial assets	–	–	–	–	–	58	–	58	–	58
Reclassified as held for sale	–	–	–	–	–	82	–	82	–	82
Net loss for the year	–	–	–	–	–	–	(8,107)	(8,107)	–	(8,107)
At 31/12/2007 and 1/1/2008	12,150	37,141	117	–	599	–	(15,901)	34,106	–	34,106
Shares issued for the acquisition of subsidiaries	12,069	120,690	–	–	–	–	–	132,759	–	132,759
Issuing expenses	–	(3,908)	–	–	–	–	–	(3,908)	–	(3,908)
Exchange differences arising on translation of foreign operations	–	–	–	–	12,356	–	–	12,356	236	12,592
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	1,891	1,891
Additional capital injection by a minority shareholder	–	–	–	–	–	–	–	–	10,460	10,460
Profit for the year	–	–	–	–	–	–	34,793	34,793	1,532	36,325
Transfer	–	–	–	5,957	–	–	(5,957)	–	–	–
At 31/12/2008	24,219	153,923	117	5,957	12,955	–	12,935	210,106	14,119	224,225

Notes:

1. BASIS OF PREPARATION

a) GENERAL INFORMATION

The Company is an investment holding company. Its subsidiaries are principally engaged in the production and sales of expandable polystyrene packaging products and paper honeycomb packaging materials.

The Company was incorporated in the Cayman Islands on 8 July 2002 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The address of its principal place of business is Room 2412, 24/F, Wing On Centre, 111 Connaught Road Central, Hong Kong.

b) BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated income statement. Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has, where applicable, applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior adjustment is required.

The Group has not early applied any of the following new and revised standards, amendments or interpretations which have been issued but are not yet effective for annual periods beginning on 1 January 2008.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standard[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[6]

[1] Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2009

[3] Effective for annual periods beginning on or after 1 July 2009

[4] Effective for annual periods beginning on or after 1 July 2008

[5] Effective for annual periods beginning on or after 1 October 2008

[6] Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

The Company's directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND OTHER REVENUE

Turnover

An analysis of the Group's turnover for the year, for both continuing and discontinued operations, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Continuing operations		
Sales of packaging materials	**313,097**	10,055
Discontinued operations		
IBS solutions	**–**	1,397
	313,097	11,452

Other revenue and other net income

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other revenue						
Interest income from bank deposits	**82**	248	**–**	19	**82**	267
Total interest income on financial assets not at fair value through profit or loss	**82**	248	**–**	19	**82**	267
Amount recovered for impairment loss on trade receivables recognised in prior years	**2,693**	–	**–**	–	**2,693**	–
Government grants	**812**	–	**–**	–	**812**	–
Penalties received from suppliers	**282**	–	**–**	–	**282**	–
Sundry income	**313**	18	**–**	523	**313**	541
	4,182	266	**–**	542	**4,182**	808
Other net income						
Sales of raw materials and scrap products	**2,773**	–	**–**	–	**2,773**	–
Sales of steam	**511**	–	**–**	–	**511**	–
Net (loss)/profit on sale of property, plant and equipment	**(23)**	–	**–**	30	**(23)**	30
Gain on disposal of trading securities	**–**	483	**–**	–	**–**	483
Exchange gain	**192**	–	**–**	–	**192**	–
	3,453	483	**–**	30	**3,453**	513

4. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) before taxation is arrived at after charging/(crediting) the following:

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
a) Finance costs:						
Interest on bank advances wholly repayable within five years	**6,323**	–	**–**	–	**6,323**	–
Interest on other bank advances	**–**	–	**–**	1	**–**	1
Total interest expense on financial liabilities not at fair value through profit or loss	**6,323**	–	**–**	1	**6,323**	1
b) Staff costs (directors' emoluments included):						
Salaries, wages and other benefits	**25,581**	2,458	**–**	575	**25,581**	3,033
Contribution to defined contribution retirement plans	**999**	27	**–**	62	**999**	89
	26,580	2,485	**–**	637	**26,580**	3,122
c) Other items:						
Amortisation of lease premium for land	**505**	70	**–**	–	**505**	70
Impairment loss (revised)/recognised in respect of trade and other receivables	**(2,693)**	–	**–**	3,187	**(2,693)**	3,187
Depreciation for property, plant and equipment	**12,943**	90	**–**	133	**12,943**	223
Auditor's remuneration	**630**	205	**–**	–	**630**	205
Research and development costs	**–**	–	**–**	381	**–**	381
Operating lease charges on rented premises and equipment	**4,451**	318	**–**	142	**4,451**	460
Cost of inventories	**237,929**	9,843	**–**	–	**237,929**	9,843

5. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

As the operations of the Group are all in the PRC, no geographical segment information is presented.

Business segments

In year 2007, the Group was principally engaged in the sale of packaging materials and IBS solutions installation services. However, the IBS solutions installation services were discontinued in the year 2008. Therefore, the Group only engaged in sales of packaging materials for the year ended 31 December 2008. Segment information about these businesses is presented below:

	Continuing operation: Sale of packaging materials		**Discontinued operation: IBS solution**		**Consolidated**	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Turnover	**313,097**	10,055	**–**	1,397	**313,097**	11,452
Other revenue and net income	**7,635**	749	**–**	572	**7,635**	1,321
Total	**320,732**	10,804	**–**	1,969	**320,732**	12,773
Segment results	**50,429**	(3,269)	**–**	(4,897)	**50,429**	(8,166)
Profit/(loss) from operations	**50,429**	(3,269)	**–**	(4,897)	**50,429**	(8,166)
Finance costs	**(6,323)**	–	**–**	(1)	**(6,323)**	(1)
Profit/(loss) before taxation	**44,106**	(3,269)	**–**	(4,898)	**44,106**	(8,167)
Taxation	**(7,781)**	–	**–**	60	**(7,781)**	60
Profit/(loss) for the year	**36,325**	(3,269)	**–**	(4,838)	**36,325**	(8,107)
Segment assets	**407,430**	38,203	**–**	4,834	**407,430**	43,037
Segment liabilities	**183,205**	6,928	**–**	2,003	**183,205**	8,931
Other segment information:						
Depreciation of property, plant and equipment	**12,943**	90	**–**	133	**12,943**	223
Amortisation of – Land lease premium	**505**	70	**–**	–	**505**	70
Other non-cash expenses – Impairment of trade and other receivables (reversed)/recognised in the income statement	**(2,693)**	–	**–**	3,187	**(2,693)**	3,187
Capital expenditure						
– acquisition of subsidiaries	**73,161**	–	**–**	–	**73,161**	–
– Others	**47,525**	6,936	**–**	8	**47,525**	6,944

6. INCOME TAX

Income tax in the consolidated income statement represents:

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current tax						
Hong Kong	**–**	–	**–**	–	**–**	–
PRC enterprise income tax	**7,844**	–	**–**	–	**7,844**	–
	7,844	–	**–**	–	**7,844**	–
(Over) provision in respect of prior years						
Hong Kong	**–**	–	**–**	(60)	**–**	(60)
PRC enterprise income tax	**–**	–	**–**	–	**–**	–
	–	–	**–**	(60)	**–**	(60)
Deferred tax						
Current year	**(63)**	–	**–**	–	**(63)**	–
	7,781	–	**–**	(60)	**7,781**	(60)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/09. Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate from 33% to 25% for the Company's subsidiaries operating in the PRC from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

7. EARNINGS/(LOSS) PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008	2007
	HK$'000	*HK$'000*
Profit/(loss):		
Profit/(loss) for the purpose of basic earnings/(loss) per share (Profit/(loss) for the year attributable to equity holders of the Company)	**34,793**	(8,107)

	2008	2007
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating earnings/(loss) per share	**241,200**	97,570

Diluted earnings per share equals to basic earnings per share as there were no potential dilutive ordinary shares outstanding for both periods presented.

For continuing operations

The calculation of the basic and diluted earnings/(loss) per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

Earnings/(loss) figures are calculated as follows:

	2008	2007
	HK$'000	*HK$'000*
Profit/(loss) for the year attributable to equity holders of the Company	**34,793**	(8,107)
Less:		
Profit/(loss) for the year from discontinued operations	**–**	(4,838)
Profit/(loss) for the purpose of calculating basic loss per share from continuing operations	**34,793**	(3,269)

The denominators used both the calculation of basic and diluted earnings/(loss) per share are the same as detailed above.

8. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2008 (2007: Nil).

9. GOODWILL

	2008	2007
	HK$'000	*HK$'000*
Cost and carrying amount:		
At beginning of year	**–**	–
Total arising on acquisition of subsidiaries		
– Dragon Vault Group	**1,669**	–
– Wisdom Sun Group	**68,981**	–
	70,650	–
Adjustments to the cost of acquisitions	**(7,228)**	–
Exchange adjustments	**4,301**	–
At end of year	**67,723**	–

The goodwill of HK$67,723,000 as at 31 December 2008, being the excess of purchase consideration over the fair value of net assets acquired, arose on 2 January 2008 upon the completion of the acquisition by the Group from the executive director and the controlling shareholder, Mr. Chao Peng Fei ("Mr. Chao") and Ms. Sam Mei Wa, spouse of Mr. Chao (collectively (the "Vendors") of the 100% equity interest in Dragon Vault International Limited ("Dragon Vault") and Wisdom Sun International Limited ("Wisdom Sun") which own respectively operating subsidiaries active in the manufacturing of paper honeycomb packaging materials and expandable polystyrene ("EPS") packaging materials which are principally used in cushion packaging in the transportation of electrical products.

Currently Dragon Vault and its subsidiaries ("Dragon Vault Group") are active in the manufacturing and sale of EPS packaging products to its customers whereas Wisdom Sun and its subsidiaries ("Wisdom Sun Group") are active in the manufacturing and sale of EPS and paper honeycomb packaging materials, as well as providing design and mould production services.

According to the terms of the acquisitions, the vendors also provide non-competing undertakings to the Group and profit guarantees for the PRC companies comprised in the Dragon Vault Group and the Wisdom Sun Group for the year ended 31 December 2008. As the audited combined net profits after tax of each of the PRC companies comprised in the Dragon Vault Group and the Wisdom Sun Group for the year ended 31 December 2008 fell short of the guaranteed amounts, the Group received cash of RMB6.4 million (equivalent to HK$7,228,000) from the vendors and the carrying value of goodwill has been adjusted for the same amount.

The carrying amounts of goodwill net of any impairment loss as at 31 December 2008 is attributable to the manufacturing and sales of paper honeycomb and EPS packaging materials.

The recoverable amount of goodwill has been determined on the basis of a value in use calculations. Its recoverable amounts is based on certain key assumptions. The value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 14.06%. The set of cash flow beyond the 5-year period is extrapolated using zero growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Cash flow projections during the budget period are also based on the expected sales of packaging materials during the budget period. Expected cash inflows/outflows, which include the sales of packaging materials have been determined based on past performance and management's expectations for the market development.

10. TRADE AND OTHER RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**78,291**	9,393
Bills receivables	**58,720**	561
	137,011	9,954
Prepayments, deposits and other receivables	**40,323**	5,070
	177,334	15,024

The aging analysis of the trade and bills receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 3 months	**97,770**	4,316
Over 3 months but within 6 months	**38,021**	5,638
Over 6 months but within 1 year	**187**	–
Over 1 year	**1,033**	–
	137,011	9,954
Less: Impairment loss on trade receivables	**–**	–
	137,011	9,954

The normal credit period granted to the customers of the Group is 60 to 90 days (2007: 60 to 90 days). Impairment loss on trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

11. TRADE AND OTHER PAYABLES

	2008	2007
	HK$'000	*HK$'000*
Bills payable	**49,536**	–
Trade payables *(note 11a)*	**34,445**	4,485
	83,981	4,485
Land lease premium payable	**1,158**	1,090
Amount due to a related company *(note 11b)*	**21**	–
Amount due to a former shareholder of subsidiaries *(note 11c)*	**16,702**	–
Other payables	**8,760**	1,353
Financial liabilities measured at amortised cost	**110,622**	6,928

a) Included in the trade payables with carrying amount of approximately HK$244,000 is guaranteed by Mr. Chao, the controlling shareholder of the Company.

b) The amount due to a related company is interest-free, unsecured and has no fixed terms of repayment. This related company is controlled by Mr. Chao.

c) The amount due to a former shareholder, Mrs. Chao, of subsidiaries is interest-free, unsecured and has no fixed terms of repayment.

The following is an aging analysis of trade payables and bills payable as at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
Within 3 months	**38,727**	741
Over 3 months but within 6 months	**36,860**	3,744
Over 6 months but within 1 year	**5,381**	–
Over 1 year	**3,013**	–
	83,981	4,485

FINANCIAL REVIEW

For year under review, the Group was principally engaged in the production and sales of expandable polystyrene packaging products and paper honeycomb packaging materials. The Group recorded a total turnover of approximately HK$313.10 million (2007: HK$11.45 million), representing an increase of approximately 2,634% as compared with that for the corresponding year in 2007. Profit attributable to equity shareholders of the Company was approximately HK$34.79 million as compared to loss attributable to equity shareholders of the Company of approximately HK$8.11 million for the corresponding year in 2007.

BUSINESS REVIEW

The Group mainly focuses on the production and sales of expandable polystyrene ("EPS") and paper honeycomb packaging products. The Group is in a market leading position in the cushion packaging industry for household electrical appliances in China. The Group provides excellent integrated packaging solutions for its customers, including design, development, testing and production of cushion packaging products. The Group has well-established business networks including renowned electrical appliance manufacturers in China. The Group has production facilities in Qingdao, Hefei and Dalian and has more than 150 automated EPS shape moulding machines and two paper honeycomb production lines. The Group's annual production capacities for EPS products are over 20,000 tons and paper honeycomb products are over 8 million square metres.

2008 is an important milestone of the Group's business development. After the disposal of the continuous loss-making intelligent building system solution business and the acquisition of two excellent EPS packaging businesses in January 2008, the Group successfully turnarounds into a profitable operation in 2008. Profit attributable to shareholders of the Company was approximately HK$34.79 million in 2008 and achieved the best Annual Results since the Group listed on the GEM board of the Stock Exchange of Hong Kong Limited on 25 June 2003.

The business environment had a drastic change in 2008, the high inflation rate in the first half year resulted in the continuous rise in operation costs for fuels, electricity, labour cost, raw materials and accessory materials prices presented high pressure to the Group's operation. Whereas the US sub-prime mortgage crisis which grown into a global financial crisis in the second half year resulted in a tremendous global economic downturn. The slowdown for the demand for the EPS cushion packaging products for household electrical appliances has caused unprecedented challenges to the Group. However, the Group's prudent and flexible strategies have enabled the Group to maintain its market leading position and competitive edge and further achieved the encouraging Annual Results.

RECOGNITION

During the past year, the subsidiaries of the Group received numerous awards from the District Governments and their business partners for their achievement, including:

- "2008 Economic Development Outstanding Enterprise" by Licang District Government, Qingdao City
- "2008 Outstanding Enterprise Factory Manager (Manager)" by the Licang District Government, Qingdao City
- "2008 Outstanding Contribution (Top Ten) Enterprise" by the Working Committee of Jiushui Road, Licang District, Qingdao City
- "2008 Outstanding Enterprise" by the Working Committee of Xuejiadao Street, Huangdao District, Qingdao City
- "2008 Safety Production Advanced Unit" by the Working Committee of Xuejiadao Street, Huangdao District, Qingdao City
- "2008 Outstanding Enterprise Manager" by the Working Committee of Xuejiadao Street, Huangdao District, Qingdao City
- "2007 Foreign Investment Outstanding Enterprise" by Anhui Province Foreign Investment Association
- "2007 Midea Refrigerator Service Department – Golden Medal Supplier" by Midea Group

BUSINESS OUTLOOK

During the period of uncertain and adverse economic conditions, the business environment is expected to remain difficult. The Group will adjust its business strategies, improve its operating processes, enhance its operating efficiency, consolidate and strengthen its existing businesses and grasp for new growth opportunities.

In 2009, the Group's core strategy is "to broaden the sources of income, reduce the operating costs and team building".

Broaden the sources of income

The Group will consolidate the existing businesses and develop the new markets positively. The Group's capabilities to design, develop, test and manufacture of cushion packaging products for its customers make the Group have a very strong competitive edge to establish the new markets. In 2008, the packaging design company of the Group made a brilliant achievement by applying the registration of patent of 3 cushion packaging related invention technologies in China. The Group will strengthen its sensitivity towards changing market demand and creativity in product design and will further enhance its design edge so as to expand its market penetration and customer base. Meanwhile, the national Project for "Taking the Household Electrical Appliances to Rural Areas" has commenced in February 2009 and will strongly stimulate the expenditure on the household electrical appliances market and provide growth opportunities.

Hefei is reputed as "Hometown of household electrical appliances" and is one of main electrical appliances production bases in China. Many large-scale household electrical appliances manufacturers have established production base in Hefei. In 2009, a well-known television manufacturer and a well-known air-conditioning manufacturer have newly completed their large production bases and have just commenced their production. Hence, the Group's subsidiaries in Hefei can have new market opportunities.

The Group will consolidate the existing businesses and develop the new businesses positively. EPS is widely used in the heat preservation wall of building materials as EPS has good heat insulation characteristic. The Group will further develop its business into the building materials market so as to diversify its businesses.

Cost Control

The Group will strengthen the internal management, simplify and improve the workflow and procedures so as to smooth the operation. The Group will enhance the mechanization of its equipment through technology upgrades and strengthen the operating skill of the staff in order to increase the overall productivity. Meanwhile the Group will continue to provide high quality products and services to its customers and the Group believes that providing stable and high quality products is the fundamental element of an enterprise, therefore the Group will provide products that conform the customer needs.

The Group requires utilizing the massive steam in the daily production process and to improve the design of the mould products can reduce the steam consumption effectively. In 2009, the mould manufacturing company of the Group will put emphasis to improve the design of the mold products so as to increase the production efficiency and reduce cost.

The Group will also continue to keep its inventory at reasonably low level in order to enhance profitability.

Team Building

The Group insists the corporate vision of a "people-oriented" strategy and strongly believes that only having outstanding human resources can enhance the overall competitiveness and cohesive spirit. The Group provides continuous training and offers career advancement to its staff so as to increase the staff's managerial knowledge and operating skill and will retain the key human resources for the future development of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group had current assets of approximately HK$201.42 million (2007: HK$35.97 million) of which approximately HK$5.25 million (2007: approximately HK$15.82 million) was cash and cash equivalents. The Directors are confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

EMPLOYEES

As at 31 December 2008, the Group had a total of around 972 (2007: 29) staff based in PRC and Hong Kong. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

CAPITAL STRUCTURE

As at 31 December 2008, the Group's net assets were financed by internal resources and bank borrowings.

SIGNIFICANT INVESTMENTS

There were no significant investments held by the Group as at 31 December 2008.

CAPITAL COMMITMENT

The group's capital commitment outstanding at the year ended and contracted but not provided for in the financial statements is HK$1.72 million (2007: HK$181.04 million).

Save for the disclosed above, the Group did not have any material acquisitions, disposals and future plans for material investments during the year under review.

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2008, the Group pledged assets with aggregate carrying value of HK$77.06 million (2007: Nil) to secure banking and other facilities.

CONTINGENT LIABILITIES

At as 31 December 2008, the Group did not have any significant contingent liabilities (2007: Nil).

GEARING RATIO

As at 31 December 2008, the total tangible assets of the Group was HK$339.71 million whereas the total liabilities was approximately HK$183.21 million. The gearing ratio (total liabilities divided by total assets) was approximately 53.93%.

HEDGING

Most of the transactions of the Group are denominated in Hong Kong Dollars, United States Dollars and Renminbi, no hedging or other arrangements to reduce the currency risk have been implemented.

COMPETING INTERESTS

As at 31 December 2008, none of the Directors or management shareholders (as defined in GEM Listing Rules) of the Company or their respective associates had interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year.

CORPORATE GOVERNANCE REPORT

The Company complied with Code on Corporate Governance Practices (the "CG Code") of the GEM Listing Rules through at the year ended 31 December 2008 with the exception of deviation for Code Provision A.2.1.

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Chao Pang Fei is the Chairman and Chief Executive Officer of the Company. In view of the scale of operations of the Company and the fact that daily operations of the Group's business is delegated to the senior executives and department heads, the Board considers that vesting the roles of both Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board also believes that the current structure provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. It is in the best interest of the Group to maintain the current practice for continuous efficient operations and development of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Required Standard of Dealings throughout the year ended 31 December 2008.

AUDIT COMMITTEE

The Company had established an audit committee in compliance with Rule 5.28 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures of the Group.

The audit committee comprises Mr. Ho Ka Wing, Sammy, Mr. Cheng Yun Ming, Matthew and Mr. Sin Ka Man, who are Independent Non-Executive Directors of the Company.

During the year, the audit committee held four meetings to review and comment on the Company's 2007 annual report, 2008 half-yearly report and quarterly reports as well as the Company's internal control procedures.

The Group's annual results for the year ended 31 December 2008 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

COMPENSATION FOR SHORTFALL IN GUARANTEED PROFIT

On 20 November 2007, Mr. Chao Pang Fei ("Mr. Chao") and his spouse Ms. Sam Mei Wa ("Mrs. Chao") gave a profit guarantee to the Group pursuant to the Profit Guarantee Undertaking Letter, whereby Mr. and Mrs. Chao, jointly and severally, guaranteed and undertook to the Group that the combined net profit after tax of each of the PRC subsidiaries 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 ended 31 December 2008 will not be less than RMB38,000,000. In calculating the Combined Net Profit, if any of the PRC subsidiaries comprised in the Wisdom Sum Group and the Dragon Vault Group is not wholly owned by the Group, only the part of profit attributable to the Group shall be included.

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

A x (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

The Combined Net Profit for the year ended 31 December 2008 is RMB36,648,933, which is less than the Guaranteed Profit by an amount of RMB1,351,067. In this connection, Mr. Chao and Mrs. Chao have jointly and severally compensated the Group with a sum RMB6,363,009 (equivalent to HK$7,227,933) on 23 March 2009. Please refer to Note 9 of the Results Announcement. The accounting treatment was considered appropriate and had been agreed by the Auditors of the Company.

The Directors (including the independent non-executive Directors) are of the opinion that Mr. Chao and Mrs. Chao have fulfilled their obligations under the Profit Guarantee Undertaking Letter.

SCOPE OF WORK OF CCIF CPA LIMITED

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2008 as set out in the preliminary announcement have been agreed by the Group's auditor, CCIF CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by CCIF CPA Limited in this respect did not constitute and assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCIF CPA Limited on the preliminary announcement.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our shareholders for their continued support during 2008 and all staff for their hard work.

On behalf of the board
Chao Pang Fei
Chairman

Hong Kong, 23 March 2009

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