中國海景控股有限公司

Sino Haijing Holdings Limited

ANNUAL REPORT **2008**

Stock Code: 8065

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors. Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report. This report, for which the directors (the "Directors") of Sino Haijing Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: i. the information contained in this report is accurate and complete in all material respects and not misleading; ii. there are no other matters the omission of which would make any statement in this report misleading; and iii. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This report, in both English and Chinese versions, is available on the Company's website at www.sinohaijing.com (the "Company Website").

Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to this report posted on the Company Website will promptly upon request be sent this report in printed form free of charge.

Shareholders may at any time change their choice of the means of receipt (either in printed form or via the Company Website) and/or language(s) (either English only or Chinese only or both languages) of Corporate Communications.

Shareholders may send their request to receive this report in printed form, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Hong Kong Share Registrar of the Company, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong or by sending an email to the Hong Kong Share Registrar of the Company at is-ecom@hk.tricorglobal.com.

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Chao Pang Fei *(Chairman)*
Mr. Wang Yi
Ms. Hui Hongyan

NON-EXECUTIVE DIRECTOR

Mr. Lan Yu Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Ka Wing, Sammy
Mr. Cheng Yun Ming, Matthew
Mr. Sin Ka Man

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2412, 24/F
Wing On Centre
111 Connaught Road Central
Hong Kong

COMPANY SECRETARY

Ms. Choi Yuen Wa *(FCCA, CPA, MBA)*

AUTHORISED REPRESENTATIVES

Mr. Chao Pang Fei
Ms. Choi Yuen Wa *(FCCA, CPA, MBA)*

COMPLIANCE OFFICER

Ms. Hui Hongyan

MEMBERS OF THE AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Mr. Ho Ka Wing, Sammy *(Chairman)*
Mr. Cheng Yun Ming, Matthew
Mr. Sin Ka Man

CAYMAN ISLANDS REPRESENTATIVE

Conyers Dill & Pearman, Cayman

AUDITORS

CCIF CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

HSBC
The Bank Of East Asia
Bank of China (Hefei)
Bank of Communications (Hefei)
China Merchants Bank (Qingdao)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

8065

Directors and Senior Management of the Group

Biographical details of directors of the Company and the senior management of the Group are set out below:

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chao Pang Fei, aged 48, is the Chairman and President of the Group and is responsible for the formulation of corporate strategy and the steering of the overall development of the Group. Mr. Chao has over 13 years of experience in expanding and promoting the expandable polystyrene ("EPS") packaging industries in China. Mr. Chao joined the Group in September 2005.

Mr. Wang Yi, aged 47, is the Vice President of the Group and is responsible for overseeing the operations of the Group's subsidiaries in Hefei Area. Mr. Wang graduated from Shanghai Light Industry College. Mr. Wang has over 21 years of experience in the EPS production and technical management. He is the Vice President of the China EPS Industry Association. Mr. Wang joined the Group in January 2008.

Ms. Hui Hongyan, aged 44, graduated from the University of Shenzhen majoring in Accountancy in 1992. Ms. Hui had over 14 years of experience in different management positions in finance department of various companies in China. Ms. Hui joined the Group in September 2005.

NON-EXECUTIVE DIRECTOR

Mr. Lan Yu Ping, aged 45, holds a bachelor degree and master degree in economics from Zhongshan University in China and a master degree in business studies from Massey University in New Zealand. Since 1988, Mr. Lan worked for several financial institutions and investment companies in China and currently he is an associate professor in the International Finance College of the Beijing Normal University (Zhuhai Campus). Mr. Lan has over 13 years of experience in finance and investment fields.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Ka Wing, Sammy, aged 37 has over 11 years of management experience. Mr. Ho received a bachelor degree of Business from the Monash University in Australia in 1997 and a master degree of Business Administration from the University of Surrey in the United Kingdom in 2000.

Mr. Cheng Yun Ming, Matthew, aged 39, is a Certified Public Accountant (Practising), an associate member of The Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Cheng obtained a bachelor degree in accountancy from the Hong Kong Polytechnic University in 1992.

Mr. Sin Ka Man, aged 41, has over 17 years of professional experience in auditing, accounting and financial management for both private and listed corporations. He is an associate member of The Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a certified practising accountant of the CPA Australia. Mr. Sin holds a bachelor degree in Social Sciences from the University of Hong Kong, a master degree in Finance from the University of Strathclyde, the United Kingdom and a master degree in accounting from Curtin University of Technology, Australia.

Directors and Senior Management of the Group

SENIOR MANAGEMENT

Ms. Choi Yuen Wa, aged 41, is the Financial Controller and Company Secretary of the Group. Ms. Choi joined the Group in August 2005 and is responsible for the financial management, accounting and company secretarial matters of the Group. Ms. Choi holds a master degree in business administration from the University of Surrey in the United Kingdom. Ms. Choi is a fellow member of the Association of Chartered Certified Accountants and is an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining to the Group, Ms. Choi had worked in the finance department of two public listed companies Hong Kong. She has over 15 years of professional experience in the field of auditing, accounting and financial management.

Mr. Deng Chuangping, aged 32 is the President Assistant of the Group and is responsible for overseeing the operation of the Group's subsidiaries in Qingdao Area. Mr. Deng graduated from the Faculty of Industry and Economics of Renmin University of China. Mr. Deng has over 9 years of experience in the EPS production and technical management. Mr. Deng is one of the "2008 Outstanding Enterprise Factory Manager (Manager)" awarded by the Licang District Government, Qingdao City. Mr. Deng is the executive council member of the China Federation of Packaging Association. Mr. Deng joined the Group in January 2008.

Mr. Niu Weiguo, aged 45 is the Deputy General Manager of Hefei Meiling Rongfeng Packing Materials Company Limited, a subsidiary of the Group, and is responsible for overseeing the operation of Hefei Meiling Rongfeng Packing Materials Company Limited. Mr. Niu graduated from the Faculty of Mechanical Engineering of Anhui Technical Institute. Mr. Niu has over 7 years of experience in the EPS production and technical management. Mr. Niu joined the Group in January 2008.

Mr. Yao Weiyou, aged 30 is the Deputy General Manager of Qingdao Xin Haijing Packing Materials Company Limited, a subsidiary of the Group and is responsible for overseeing the operation of Qingdao Xin Haijing Packing Materials Company Limited. Mr. Yao graduated from the Faculty of Computer of Hefei Industrial University. Mr. Yao has over 7 years of experience in the EPS production and technical management. Mr. Yao is one of the "2008 Outstanding Enterprise Manager" awarded by the Huangdao District Government, Qingdao City. Mr. Yao joined the Group in January 2008.

Mr. Zhang Hongxing, aged 32 is the Deputy General Manager of Dalian Haijing Packing Materials Company Limited, a subsidiary of the Group and is responsible for overseeing the operation of Dalian Haijing Packing Materials Company Limited. Mr. Zhang graduated from the Faculty of Business English of Anhui Television Broadcasts University. Mr. Zhang has over 5 years of experience in the EPS production and technical management. Mr. Zhang joined the Group in January 2008.

Directors' Business Review

On behalf of the board of directors (the "Board"), I present the annual results of Sino Haijing Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the financial year ended 31 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Directors' Business Review

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".

Directors' Business Review

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.

Directors' Business Review

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

TEAM BUILDING

The Group insists on 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.

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

Directors' Business Review

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 16 of the Financial Statements. 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.

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 end and contracted but not provided for in the financial statements is HK$1.72 million (2007: HK$181.04 million).

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.

Directors' Business Review

CONTINGENT LIABILITIES

As at 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.

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.

For and on behalf of the Board

Chao Pang Fei
Chairman

Hong Kong, 23 March 2009

Report of the Directors

The directors present herewith their annual report and the audited financial statements of Sino Haijing Holdings Limited ("the Company") and its subsidiaries (together with the Company, "the Group") for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Group's subsidiaries are set out in note 17 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	67%	
Five largest customers in aggregate	85%	
The largest supplier		47%
Five largest suppliers in aggregate		54%

At no time during the year have the directors, their associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

SEGMENT INFORMATION

Details of segment information are set out in note 5 to the financial statements.

FINANCIAL STATEMENTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated income statement on page 26.

The state of affairs of the Group and the Company as at 31 December 2008 are set out in the consolidated balance sheet on page 27 and the balance sheet on page 28, respectively.

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

Report of the Directors

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2008 and of the assets and liabilities as at 31 December 2004, 2005, 2006, 2007 and 2008 is set out on page 101.

CHARITABLE DONATIONS

The Group made charitable donations during the year amounted to HK$nil (2007: HK$6,800).

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

Movements in share capital of the Company during the year are set out in note 24 to the financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the statements of changes in equity on pages 29 to 30.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

EXECUTIVE DIRECTORS

Mr. Chao Pang Fei *(Chairman)*
Mr. Wang Yi
Ms. Hui Hongyan

NON-EXECUTIVE DIRECTOR

Mr. Lan Yu Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Ka Wing, Sammy
Mr. Cheng Yun Ming, Matthew
Mr. Sin Ka Man

Report of the Directors

In accordance with Article 86(3) of the Company's articles of association, all directors for the time being shall retire from office and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Mr. Chao Pang Fei, Ms. Hui Hongyan and Mr. Lan Yu Ping have entered into a service contract with the Company for an initial term of one year commencing from 13 September 2005 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive directors has confirmed his independence to the Company pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the year ended 31 December 2008 and the Company considers the independent non-executive directors to be independent.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

DIRECTORS' INTERESTS IN CONTRACTS

No other contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or its holding company or any of its subsidiaries a party to any arrangements to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Report of the Directors

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2008, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of director	Capacity	Number of Shares *(Note 1)*	Approximate percentage of the issued share capital of the Company %
Mr. Chao Pang Fei	Interest of controlled corporation	172,599,005(L) (Note 2)	71.27
	Beneficial interest	9,030,000(L)	3.72

Notes:

1. The letter "L" represents the person's interests in Shares or underlying Shares.

2. These shares are legally owned by Haijing Holdings Limited ("Haijing Holdings"), a company wholly owned by Mr. Chao. By virtue of his 100% shareholding interest in Haijing Holdings, Mr. Chao is taken to be interested in all the shares held by Haijing Holdings pursuant to the SFO.

Save as disclosed above, as at 31 December 2008, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Report of the Directors

INTERESTS OF SUBSTANTIAL SHAREHOLDER

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at the 31 December 2008, so far as was known to the Directors or chief executive of the Company, the persons (other than the Directors or the chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or had any options in respect of such capital are set out below:

LONG POSITIONS IN THE SHARES

Name of shareholder	Nature of interests	Number of Shares	Approximate percentage of the issued share capital of the Company %
Haijing Holdings	Beneficial owner	172,599,005	71.27
Ms. Sam Mei Wa	Interest of spouse	181,629,005 *(Note)*	74.99

Note: Ms. Sam Mei Wa is the spouse of Mr. Chao Pang Fei, hence Ms. Sam is taken to be interested in all the Shares held or deemed to be held by Mr. Chao pursuant to the SFO.

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.

Report of the Directors

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 throughs 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.

The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

RESPONSIBILITIES

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibility for decision making in all major matters of the Company including: the approval and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, material transactions (in particular those which may involve conflict of interests), appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior executives. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives and the Board has the full support of them to discharge its responsibilities.

Report of the Directors

All directors have full and timely access to all relevant information as well as the advice and services of the professional advisers, as and when required, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

COMPOSITION

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board of the Company as at the date of this report comprises the following directors:

EXECUTIVE DIRECTORS:

Mr. Chao Pang Fei *(Chairman)*
Mr. Wang Yi
Ms. Hui Hongyan

NON-EXECUTIVE DIRECTOR:

Mr. Lan Yu Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Ho Ka Wing, Sammy *(Chairman of Audit Committee and Remuneration Committee)*
Mr. Cheng Yun Ming, Matthew *(member of Audit Committee and Remuneration Committee)*
Mr. Sin Ka Man *(member of Audit Committee and Remuneration Committee)*

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules.

None of the members of the Board is related to one another.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the GEM Listing Rules. The Company considers both independent non-executive directors to be independent in accordance with the independence guidelines set out in the GEM Listing Rules.

In accordance with the Company's articles of association, all directors for the time being shall retire from office and being eligible, offer themselves for re-election at the forthcoming annual general meeting. Detailed information of the directors standing for re-election will be included in the Company's circular to be dispatched together with the notice of the 2008 annual general meeting.

Report of the Directors

The Board recommended the re-appointment of the directors standing for re-election at the forthcoming annual general meeting of the Company.

BOARD AND BOARD COMMITTEES MEETINGS

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Regular Board meetings should be held at least four times a year at quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year ended 31 December 2008, 4 Board meetings (4 of which were regular Board meetings) and 4 Audit Committee meetings and 1 Remuneration Committee meeting were held.

The individual attendance record of each director at the meetings of the Board, Audit Committee and Remuneration Committee during the year ended 31 December 2008 is set out below:

	Attendance/Number of Meetings held during the tenure of directorship		
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Directors			
– Mr. Chao Pang Fei	4/4	N/A	1/1
– Mr. Wang Yi	1/4	N/A	N/A
– Ms. Hui Hongyan	4/4	N/A	1/1
Non-Executive Director			
– Mr. Lan Yu Ping	2/4	N/A	N/A
Independent Non-Executive Directors			
– Mr. Ho Ka Wing *(Chairman of Audit Committee and Remuneration Committee)*	4/4	4/4	1/1
– Mr. Cheng Yun Ming, Matthew *(member of Audit Committee and Remuneration Committee)*	2/4	2/4	1/1
– Mr. Sin Ka Man *(member of Audit Committee and Remuneration Committee)*	4/4	4/4	1/1

Report of the Directors

PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Code Provision A.1.3 stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or Audit Committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All directors are given an opportunity to include matters in the agenda for regular Board meetings. The Board and each director also have separate and independent access to the senior executives whenever necessary. With the support of the senior executives, the Chairman is responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are kept by the secretary of the meetings and open for inspection by the directors.

The Company's articles of association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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.

Report of the Directors

BOARD COMMITTEES

The Board has established two committees, namely, the Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are available to shareholders upon request.

All the members of each Board committee are independent non-executive directors and the list of the chairman and members of each Board committee is set out under "Composition" of this report.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

REMUNERATION COMMITTEE

The primary objectives of the Remuneration Committee include reviewing, making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior executives. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Group as well as market practice and conditions. The Remuneration Committee shall consult the Chairman of the Company about these recommendations on remuneration policy and structure and remuneration packages.

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.

Report of the Directors

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.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements.

The directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2008.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 24 to 25.

AUDITOR'S REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services for the year ended 31 December 2008 amounted to HK$630,000.

INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Company. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

Report of the Directors

SHAREHOLDER RIGHTS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's articles of association. Details of such rights to demand a poll were included in the circular to shareholders in relation to the holding of 2008 annual general meeting and explained during the proceedings of the meeting.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board Committee attended the 2008 annual general meeting to answer questions at the meeting.

Separate resolutions were proposed at 2008 annual general meeting on each substantial issue, including the election of individual directors.

AUDITOR

The financial statements have been audited by CCIF CPA Limited. A resolution for their re-appointment as the Company's auditor for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the board

Chao Pang Fei
Chairman
Hong Kong, 23 March 2009

Independent Auditor's Report

CCIF

CCIF CPA LIMITED

20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SINO HAIJING HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sino Haijing Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 26 to 100 which comprise the consolidated and Company balance sheets as at 31 December 2008 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong
23 March 2009

Kwok Cheuk Yuen
Practising Certificate Number P02412

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Continuing operations			
Turnover	4	313,097	10,055
Cost of sales		(238,721)	(9,843)
Gross Profit		74,376	212
Other revenue	6	4,182	266
Other net income	6	3,453	483
Administrative and other operating expenses		(31,582)	(4,230)
Profit/(loss) from operations	7	50,429	(3,269)
Finance costs	7	(6,323)	–
Profit/(loss) before taxation		44,106	(3,269)
Income tax	8	(7,781)	–
Profit/(loss) for the year from continuing operations		36,325	(3,269)
Discontinued operations			
Loss for the year from discontinued operations	9(c)	–	(4,838)
Profit/(loss) for the year		36,325	(8,107)
Attributable to:			
Equity shareholders of the Company	10	34,793	(8,107)
Minority interests		1,532	–
		36,325	(8,107)
Dividends	11	–	–
Earnings/(loss) per share	12		
From continuing and discontinued operations			
– Basic and diluted		HK14.4 cents	(HK8.3 cents)
From continuing operations			
– Basic and diluted		HK14.4 cents	(HK3.4 cents)

The notes on pages 34 to 100 form part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	116,015	3,583
Lease premium for land	15	22,272	3,487
Goodwill	16	67,723	–
		206,010	7,070
CURRENT ASSETS			
Inventories	18	18,318	213
Lease premium for land	15	514	73
Trade and other receivables	19	177,334	15,024
Cash and cash equivalents	20	5,254	15,823
		201,420	31,133
Assets classified as held for sale	9(a)	–	4,834
		201,420	35,967
CURRENT LIABILITIES			
Trade and other payables	21	110,622	6,928
Bank borrowings	22	67,929	–
Current taxation	23	1,905	–
		180,456	6,928
Liabilities associated with assets classified as held for sale	9(b)	–	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	23	2,749	–
NET ASSETS		224,225	34,106
CAPITAL AND RESERVES			
Issued capital	24	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

Approved and authorised for issue by the board of directors on 23 March 2009.

On behalf of the board

Chao Pang Fei
Director

Hui Hongyan
Director

The notes on pages 34 to 100 form part of these financial statements.

Balance Sheet

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	*17*	**161,472**	23,227
CURRENT ASSETS			
Trade and other receivables	*19*	**–**	2,144
Cash and cash equivalents	*20*	**109**	7,420
		109	9,564
Assets classified as held for sale	*9(a)*	**–**	4,834
		109	14,398
CURRENT LIABILITIES			
Trade and other payables	*21*	**2,883**	1,336
Liabilities associated with assets classified as held for sale	*9(b)*	**–**	2,003
		2,883	3,339
NET CURRENT (LIABILITIES)/ASSETS		**(2,774)**	11,059
NET ASSETS		**158,698**	34,286
CAPITAL AND RESERVES			
Issued capital	*24*	**24,219**	12,150
Reserves		**134,479**	22,136
TOTAL EQUITY		**158,698**	34,286

Approved and authorised for issue by the board of directors on 23 March 2009.

On behalf of the board

Chao Pang Fei
Director

Hui Hongyan
Director

The notes on pages 34 to 100 form part of these financial statements.

Statements of Changes in Equity

For the year ended 31 December 2008

Group

	Attributable to equity shareholders of the Company									
	Issued capital	Share Premium *(Note (a))*	Capital reserve *(Note (b))*	Statutory reserve *(Note (c))*	Translation reserve *(Note (d))*	Investment revaluation reserve *(Note (e))*	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 *(note 24(b))*	3,375	6,750	–	–	–	–	–	10,125	–	10,125
Placing of new shares *(note 24(c))*	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 assets held for sale	–	–	–	–	–	82	–	82	–	82
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 acquisition of subidiaries	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

Statements of Changes in Equity

For the year ended 31 December 2008

Company

	Issued capital	Share premium (Note (a))	Contributed surplus (Note (f))	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1/1/2007	6,750	14,664	8,467	(15,862)	14,019
Issue of one rights share for every two existing shares *(note 24(b))*	3,375	6,750	–	–	10,125
Placing of new shares *(note 24(c))*	2,025	16,605	–	–	18,630
Issuing expenses	–	(878)	–	–	(878)
Loss for the year	–	–	–	(7,610)	(7,610)
At 31/12/2007 and 1/1/2008	12,150	37,141	8,467	(23,472)	34,286
Shares issued for the acquisition of subsidiaries	12,069	120,690	–	–	132,759
Issuing expenses	–	(3,908)	–	–	(3,908)
Loss for the year	–	–	–	(4,439)	(4,439)
At 31/12/2008	24,219	153,923	8,467	(27,911)	158,698

Statements of Changes in Equity

For the year ended 31 December 2008

Notes:

a) **SHARE PREMIUM**

Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company.

b) **CAPITAL RESERVE**

Capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through exchanges of shares pursuant to the Company reorganisation in 2003.

c) **STATUTORY SURPLUS RESERVE**

According to articles of association of the subsidiaries in the People's Republic of China (the "PRC"), these companies are required to transfer at least 10% of its net profit after tax, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of their registered capital, any further appropriation is optional. The transfer to this reserve must be made before distribution of a dividend to the shareholders.

Statutory surplus reserve can be used to make up previous year's losses, if any, and may be converted into capital in proportion to their existing shareholdings, provided that the balance after such conversion is not less than 25% of the registered capital.

d) **TRANSLATION RESERVE**

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(s).

e) **INVESTMENT REVALUATION RESERVE**

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale equity securities held at the balance sheet date and is dealt with in accordance with the accounting policies in notes 2(h).

f) **CONTRIBUTED SURPLUS**

Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the Company reorganisation in 2003.

The Company's reserves, including share premium and retained profits/(accumulated losses), as at 31 December 2008 available for distribution to shareholders are approximately to HK$126,012,000 (2007: HK$13,669,000).

The notes on pages 34 to 100 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year		36,325	(8,107)
Adjustments for:			
Income tax expenses/(credit)		7,781	(60)
Interest expenses		6,323	1
Loss recognised on the remeasurement of assets on disposal		–	450
Interest income		(82)	(267)
Depreciation and amortisation		13,448	293
(Profit)/loss on disposal of property, plant and equipment		23	71
Impairment loss of trade and retention money receivables		–	3,187
OPERATING PROFIT/(LOSS) BEFORE CHANGES IN WORKING CAPITAL		63,818	(4,432)
Increase in inventories		(3,529)	(213)
Increase in trade and other receivables		(37,469)	(15,855)
Increase in trade and other payables		32,114	5,845
CASH GENERATED FROM/(USED IN) OPERATIONS		54,934	(14,655)
Refund of Hong Kong profits tax		–	120
PRC income tax paid		(7,443)	–
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		47,491	(14,535)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(47,525)	(3,444)
Proceeds from sales of property, plant and equipment		296	30
Payments for purchase of subsidiaries, net of cash acquired	30	(14,691)	–
Net cash outflow on disposal of a subsidiary	31	(133)	–
Repayment from a disposed subsidiary		2,781	–
Interest received		82	267
Net proceed from the maturity of debt securities		–	49
Payment for lease premium for land		–	(3,500)
Proceeds from maturity of bank deposits pledged for banking facilities		–	2,376
NET CASH USED IN INVESTING ACTIVITIES		(59,190)	(4,222)

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from rights issue of shares		–	9,426
Net proceeds from placing of shares		–	18,451
Dividend paid to former shareholders of subsidiaries		(12,336)	–
Expenses on issue of shares		(3,908)	–
Proceeds from new bank borrowings		67,929	–
Repayment of bank borrowings		(57,071)	–
Capital injection by a minority shareholder		10,696	–
Interest paid		(6,323)	(1)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(1,013)	27,876
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(12,712)	9,119
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		1,960	470
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		16,006	6,417
CASH AND CASH EQUIVALENTS AT END OF YEAR	20	5,254	16,006

The notes on pages 34 to 100 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2008

1. BASIS OF PREPARATION

a) GENERAL INFORMATION

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 17 to the financial statements.

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.

Notes to the Financial Statements

For the year ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES

a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

b) BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

Notes to the Financial Statements

For the year ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

b) BASIS OF PREPARATION *(Continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 32.

c) SUBSIDIARIES AND MINORITY INTERESTS

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet with equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Notes to the Financial Statements

For the year ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

c) SUBSIDIARIES AND MINORITY INTERESTS *(Continued)*

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 2(l) depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 2(h)), unless the investment is classified as held for sale.

d) GOODWILL

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(h)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Notes to the Financial Statements

For the year ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

e) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (see note 2(h)).

Subsequent expenditure relating to an asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings and leasehold improvements	5 to 20 years
Plant and machinery	5 to 10 years
Furniture and equipment	5 to 10 years
Motor vehicles	5 to 10 years
Moulds	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Notes to the Financial Statements

For the year ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

f) LEASED ASSETS

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the Group

Assets held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

g) CONSTRUCTION-IN-PROGRESS

Construction-in-progress is stated at cost. Cost comprises all direct and indirect cost of construction. Construction-in-progress is transferred to property, plant and equipment and depreciation commences when construction is completed and the asset is put into use.

Notes to the Financial Statements

For the year ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

h) IMPAIRMENT OF ASSETS

i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries, associates and jointly controlled entities: see note 2(h)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognsied as follows:

– For unlisted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

Notes to the Financial Statements

For the year ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

h) IMPAIRMENT OF ASSETS *(Continued)*

i) *Impairment of investments in equity securities and other receivables (Continued)*

– For trade receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, when a decline in the fair value has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisaion) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Notes to the Financial Statements

For the year ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

h) IMPAIRMENT OF ASSETS *(Continued)*

i) *Impairment of investments in equity securities and other receivables (Continued)*

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– intangible assets;

– investments in subsidiaries and associates (except for those classified as being held for sale); and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Notes to the Financial Statements

For the year ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

h) IMPAIRMENT OF ASSETS *(Continued)*

ii) *Impairment of other assets* *(Continued)*

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Notes to the Financial Statements

For the year ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

h) IMPAIRMENT OF ASSETS *(Continued)*

iii) Interim financial reporting and impairment

Under the GEM Listing Rules in respect of each quarter of a financial year, the Group is required to prepare an quarterly and interim financial reports in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same inpairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(h)).

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

i) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, financial assets which are already carried at fair value recognised in profit or loss and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Notes to the Financial Statements

For the year ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

i) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS *(Continued)*

i) Non-current assets held for sale *(Continued)*

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

j) INVENTORIES

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the first-in, first-out cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Notes to the Financial Statements

For the year ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

j) INVENTORIES *(Continued)*

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

k) TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(h)).

l) INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

m) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(q)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Notes to the Financial Statements

For the year ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

n) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

o) EMPLOYEE BENEFITS

i) *Short-term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) *Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

p) INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes to the Financial Statements

For the year ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

p) INCOME TAX *(Continued)*

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Notes to the Financial Statements

For the year ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

p) INCOME TAX *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously: or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

q) FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES

i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e., the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Notes to the Financial Statements

For the year ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

q) FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES *(Continued)*

i) Financial guarantees issued (Continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(q)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, that is, the amount initially recognised, less accumulated amortisation.

ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(q)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 2(q)(iii).

iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Financial Statements

For the year ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

r) REVENUE RECOGNITION

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

i) Sale of packaging materials

Revenue from the sale of packaging materials is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts and returns.

ii) Revenue from provision of intelligent building system solutions installation services

The Group enters into contracts with customers whereby the values of the sale of the electronic equipment and the provision of intelligent building system solutions installation services are bundled together in one contract.

When the outcome of an installation service contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

Notes to the Financial Statements

For the year ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

s) TRANSLATION OF FOREIGN CURRENCIES

i) Functional currency

The directors of the Company determine the functional currencies of the Group entities based on the primary economic environment in which the entities operate.

Prior to 1 January 2008, the Company and its subsidiaries used Hong Kong Dollars ("HK$") as their functional currency. On 1 January 2008, management re-assessed the functional currency of the Group entities. The functional currencies of the Company and its major subsidiaries are HK$ and Renminbi ("RMB") respectively. This determination took into account the fact that from January 2008 onwards, after the completion of the acquisition of the new subsidiaries (note 30) and the disposal of the old subsidiary (note 31), all the revenue-generating subsidiaries of the Company were transacted in RMB. At the date of change, these subsidiaries of the Company translated all items into RMB using the exchange rate at that date. The resulting translated amounts for non-monetary items are recognised as their historical cost. The effect of this change in functional currency of the subsidiaries of the Company has been accounted for prospectively in the consolidated financial statements.

ii) Presentational currency

For the purpose of presenting the consolidated financial statements, assets and liabilities are translated into HK$ at the rates of exchange ruling at the balance sheet date. Revenues, expenses and capital transactions are translated into HK$ at the rates approximating the rates of exchange ruling at the dates of the transactions. Foreign exchange differences arising on translation, if any, are recognised directly as a separate component of equity.

The directors of the Company select HK$ as the presentation currency of the consolidated financial statements because it is the functional currency of the Company and this will facilitate the readers for analysing the financial information.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Notes to the Financial Statements

For the year ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

s) TRANSLATION OF FOREIGN CURRENCIES *(Continued)*

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

t) BORROWING COSTS

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

u) RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to the Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

ii) the Group and the party are subject to common control;

iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

Notes to the Financial Statements

For the year ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

u) RELATED PARTIES *(Continued)*

iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals, or

vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

v) SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format. As the operation of the Group are all in the PRC, no geographical segment information is presented for the purpose of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Notes to the Financial Statements

For the year ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

v) SEGMENT REPORTING *(Continued)*

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

w) RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred, except where the product or process is clearly defined and costs attributable to the product or process can be separately identified and measured reliably; is technically feasible; the Group intends to produce and market, or use, the product or process; the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the Group, can be demonstrated; and adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the produce or process.

Such development costs are recognised as an asset to the extent of the amount that, taken together with further development costs, related production costs, and selling and administrative costs directly incurred in marketing the product, is probable of being recovered from related future economic benefits. The excess amount is written off as incurred.

3. 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.

Notes to the Financial Statements

For the year ended 31 December 2008

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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.

Notes to the Financial Statements

For the year ended 31 December 2008

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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.

4. TURNOVER

An analysis of the Group's revenue 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

5. SEGMENT REPORTING

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.

Notes to the Financial Statements

For the year ended 31 December 2008

5. SEGMENT REPORTING *(Continued)*

BUSINESS SEGMENTS

In year 2007, the Group was principally engaged in the sales 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 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'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

Notes to the Financial Statements

For the year ended 31 December 2008

6. 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

Notes to the Financial Statements

For the year ended 31 December 2008

7. 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 (reversed)/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# *(note 18(b))*	**237,929**	9,843	**–**	–	**237,929**	9,843

\# Cost of inventories includes HK$24,539,000 (2007: HK$71,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.

Notes to the Financial Statements

For the year ended 31 December 2008

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

a) 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.

Notes to the Financial Statements

For the year ended 31 December 2008

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

b) Reconciliation between tax expense and accounting profit at the applicable tax rates:

	2008	2007
	HK$'000	*HK$'000*
Profit/(loss) before tax:		
Continuing operations	**44,106**	(3,269)
Discontinuing operations	**–**	(4,838)
	44,106	(8,107)
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**11,468**	(1,386)
Tax effect of non-deductible expenses	**1,198**	617
Tax effect of non-taxable income	**(672)**	(131)
Tax effect of profits entitled to tax exemption in the PRC	**(4,002)**	75
Tax effect of utilization of unused tax losses/ deductible temporary differences not recognised in prior year	**(443)**	–
Tax effect of unused tax losses not recognised	**232**	825
Overprovision in prior years	**–**	(60)
Actual tax expense/(credit)*	**7,781**	(60)

* *Refer to note 9(c)*

Notes to the Financial Statements

For the year ended 31 December 2008

9. ASSETS AND LIABILITIES OF DISCONTINUED OPERATIONS

The assets and liabilities relating to Innovis Technology Limited have been presented as held for sale in the year ended 31 December 2007 pursuant to a resolution passed on 2 January 2008 in the EGM. The completion date for the transaction was 17 March 2008.

a) ASSETS OF DISCONTINUED OPERATIONS CLASSIFIED AS HELD FOR SALE

	2007
	HK$'000
Property, plant and equipment	29
Trade and other receivables	1,979
Amount due from a related company	1,726
Available-for-sale financial assets	917
Bank balances and cash	183
Assets of IBS solutions business classified as held for sale	4,834

b) LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

	2007
	HK$'000
Trade and other payable	(1,191)
Amount due to a related company	(442)
Amount due to a director	(1)
Amount due to immediate holding company	(369)
Liabilities of IBS solutions business classified as held for sale	(2,003)

Notes to the Financial Statements

For the year ended 31 December 2008

9. ASSETS AND LIABILITIES OF DISCONTINUED OPERATIONS *(Continued)*

c) Analysis of the results of discontinued operations, and the results recognised on the remeasurement of assets and liabilities of the discontinued operations, is as follow:

	2007
	HK$'000
Loss for the year from discontinued operations	
Revenue and other income	1,970
Expenses	(6,418)
Loss before tax	(4,448)
Income tax credit *(note 8(b))*	60
	(4,388)
Loss on remeasurement to fair value less costs to sell	(450)
Loss for the year from discontinued operations	(4,838)

d) CASH FLOWS FROM DISCONTINUED OPERATIONS

	2007
	HK$'000
Cash used in operations	(116)
Investing cash flows	22
Financing cash flows	69
Total cash outflows	(25)

Notes to the Financial Statements

For the year ended 31 December 2008

10. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit/(loss) attributable to equity holders includes a loss of approximately HK$4,439,000 (2007: loss of approximately HK$7,610,000) which has been dealt with in the financial statements of the Company.

11. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2007 and 2008.

12. 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 parent is based on the following data:

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

	2008 *'000*	2007 *'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.

Notes to the Financial Statements

For the year ended 31 December 2008

12. EARNINGS/(LOSS) PER SHARE *(Continued)*

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 parent 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 parent	**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 for both the calculation of basic and diluted earnings per share are the same as detailed above.

FOR DISCONTINUED OPERATIONS

Basic and diluted earnings per share for the discontinued operations is HK$nil cents per share (2007: loss of HK$4.9 cents per share) based on the results for the year from the discontinued operations of HK$nil (2007: loss of approximately HK$4,838,000) and the denominators detailed above for both basic and diluted loss per share.

Notes to the Financial Statements

For the year ended 31 December 2008

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

a) Details of emoluments of every director are shown below:

Year ended 31 December 2008

Name of director	Fees	Basic salaries, allowances and other benefits	Retirement benefits scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Chao Pang Fei *(chairman)*	180	600	9	789
Hui Hongyan	180	600	9	789
Wang Yi *(note ii)*	173	600	–	773
Lan Yu Ping	72	–	–	72
Chen Weirong *(note iii)*	–	–	–	–
Cheng Yun Ming, Matthew	72	–	–	72
Sin Ka Man	72	–	–	72
Ho Ka Wing *(note ii)*	69	–	–	69
	818	1,800	18	2,636

Notes to the Financial Statements

For the year ended 31 December 2008

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

a) Details of emoluments of every director are shown below: *(Continued)*

Year ended 31 December 2007

Name of director	Fees	Basic salaries, allowances and other benefits	Retirement benefits scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Chao Pang Fei *(chairman)*	120	–	3	123
Tsang Hon Chung *(note i)*	300	60	13	373
Hui Hongyan	120	100	2	222
Wang Yi	–	–	–	–
Lan Yu Ping	60	–	–	60
Chen Weirong	–	–	–	–
Cheng Yun Ming, Matthew	60	–	–	60
Sin Ka Man	60	–	–	60
	720	160	18	898

Note:

i) Resigned on 1 November 2007

ii) Appointed on 15 January 2008

iii) Resigned on 15 January 2008

Notes to the Financial Statements

For the year ended 31 December 2008

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

b) Details of emoluments paid to the five highest paid individuals (including directors and other employees) were as follows:

	2008	2007
	HK$'000	*HK$'000*
Basic salaries, allowances and other benefits	**3,233**	2,224
Pension scheme contributions	**30**	27
	3,263	2,251

	2008	2007
Number of directors	**3**	4
Number of employees	**2**	1
	5	5

During the years ended 31 December 2007 and 2008, no emolument was paid by the Group to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office and no bonus was paid or payable by the Group to the five highest paid individuals based on the performance of the Group.

The number of the five highest paid individuals whose remuneration fall within the following bands were as follows:

	2008	2007
HK$Nil to HK$1,000,000	**5**	4
HK$1,000,000 to HK$2,000,000	**–**	1

Notes to the Financial Statements

For the year ended 31 December 2008

14. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost								
At 1/1/2007	–	682	–	794	300	–	–	1,776
Additions	–	–	55	111	151	–	3,127	3,444
Reclassified as held for sale	–	–	–	(677)	–	–	–	(677)
Disposals	–	(504)	–	–	(300)	–	–	(804)
At 31/12/2007	–	178	55	228	151	–	3,127	3,739
Accumulated depreciation								
At 1/1/2007	–	341	–	643	300	–	–	1,284
Charge for the year	–	136	–	66	21	–	–	223
Reclassified as held for sale	–	–	–	(648)	–	–	–	(648)
Disposals	–	(403)	–	–	(300)	–	–	(703)
At 31/12/2007	–	74	–	61	21	–	–	156
Net book value								
At 31/12/2007	–	104	55	167	130	–	3,127	3,583
Cost								
At 1/1/2008	–	178	55	228	151	–	3,127	3,739
Exchange adjustments	846	6	3,986	433	317	1,147	688	7,423
Additions								
– through acquisition of subsidiaries	8,892	88	38,383	3,845	2,625	11,340	7,988	73,161
– others	304	–	4,804	1,008	2,429	11,701	27,279	47,525
Transfer from construction-in-progress	12,168	–	9,529	983	67	3,931	(26,678)	–
Disposals	–	–	(131)	(245)	(457)	(68)	–	(901)
At 31/12/2008	22,210	272	56,626	6,252	5,132	28,051	12,404	130,947
Accumulated depreciation								
At 1/1/2008	–	74	–	61	21	–	–	156
Exchange adjustments	186	–	1,567	185	135	342	–	2,415
Charge for the year	557	47	6,353	926	956	4,104	–	12,943
Written back on disposals	–	–	(82)	(205)	(288)	(7)	–	(582)
At 31/12/2008	743	121	7,838	967	824	4,439	–	14,932
Net book value								
At 31/12/2008	21,467	151	48,788	5,285	4,308	23,612	12,404	116,015

Notes to the Financial Statements

For the year ended 31 December 2008

15. LEASE PREMIUM FOR LAND

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Net book value		
At 1 January	**3,560**	–
Exchange adjustments	**1,338**	130
Additions		
– through acquisition	**18,393**	–
– others	**–**	3,500
Amortisation	**(505)**	(70)
At 31 December	**22,786**	3,560
Outside Hong Kong, held under:		
Medium-term lease (leases between 10 to 50 years)	**22,786**	3,560
Analysed for reporting purposes as:		
Current asset	**514**	73
Non-current asset	**22,272**	3,487
	22,786	3,560

Notes to the Financial Statements

For the year ended 31 December 2008

16. GOODWILL

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Cost and carrying amount:		
At beginning of year	**–**	–
Total arising on acquisition of subsidiaries		
– Dragon Vault Group *(note 30(a))*	**1,669**	–
– Wisdom Sun Group *(note 30(b))*	**68,981**	–
	70,650	–
Adjustments to the cost of acquisitions *(note 30)*	**(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 Pang 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.

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For the year ended 31 December 2008

16. GOODWILL *(Continued)*

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.

17. INTERESTS IN SUBSIDIARIES

	The Company	
	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost	**11**	8,688
Amounts due from subsidiaries	**161,461**	33,807
	161,472	42,495
Less: Impairment loss *(note 2(h))*	**–**	(16,437)
Less: Reclassified to non-current assets held for sale	**–**	(2,831)
	161,472	23,227

For the year 2007, in the opinion of the directors, as there were reduction in the fair value of certain subsidiares, the carrying amounts of the amounts due from subsidiaries become greater than the recoverable amounts. Impairment losses were therefore accounted for accordingly.

The amounts due is unsecured, non-interest-bearing and not repayable within one year.

Notes to the Financial Statements

For the year ended 31 December 2008

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Details of the Company's major subsidiaries as at 31 December 2008 are as follows:

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued and paid up capital	Proportion of ownership interest Group's effective interest	Held by the company	Held by a subsidiary
Loyal Pacific International Limited	Hong Kong	Hong Kong	Trading in securities	HK$10,000	100%	100%	–
Great Prospect Enterprises Limited	BVI	Hong Kong	Investment holding	US$100	100%	100%	–
Topgoal Investment Development Limited	Hong Kong	Hong Kong	Investment holding	HK$1	100%	–	100%
合肥啟鵬紙制品有限公司*(note (c))*	PRC	PRC	Manufacturing of packing materials	RMB14,000,000	100%	–	100%
Wisdom Sun International Limited *(note (a))*	BVI	Hong Kong	Investment holding	US$100	100%	–	100%
Wise Star Group Holdings Limited ("Wise Star") *(note (a))*	Hong Kong	Hong Kong	Investment holding	HK$1	100%	–	100%
Honor Glory International Investment Limited ("Honor Glory") *(note (a))*	Hong Kong	Hong Kong	Investment holding	HK$1	100%	–	100%
青島海景包裝制品有限公司 *(note (a) and (c))*	PRC	PRC	Manufacturing of expandable polystyrene packaging products	RMB20,000,000	100%	–	100%
青島新海景包裝制品有限公司 *(note (a) and (c))*	PRC	PRC	Manufacturing of expandable polystyrene packaging products	RMB10,000,000	100%	–	100%
合肥海景包裝制品有限公司 *(note (a) and (c))*	PRC	PRC	Manufacturing of expandable polystyrene packaging products	RMB15,000,000	100%	–	100%

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For the year ended 31 December 2008

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary
青島海景模具制品有限公司 *(note (a) and (c))*	PRC	PRC	Manufacturing of moulds products	RMB1,000,000	100%	–	100%
青島海景紙制品有限公司 *(note (a) and (c))*	PRC	PRC	Manufacturing of paper honeycomb packaging materials	RMB1,500,000	100%	–	100%
大連海景包裝製品有限公司 *(note (a) and (c))*	PRC	PRC	Manufacturing of expandable polystyrene packaging products	RMB1,000,000	100%	–	100%
海景包裝設計開發(惠州)有限公司 *(note (a) and (c))*	PRC	PRC	Design of expandable polystyrene packaging products	RMB1,000,000	100%	–	100%
Dragon Vault International Limited *(note (b))*	BVI	Hong Kong	Investment holding	US$100	100%	–	100%
Yearfull International Investment Limited *(note (b))*	Hong Kong	Hong Kong	Investment holding	HK$1	100%	–	100%
合肥美菱榮豐包裝制品有限公司 *(note (b) and (d))*	PRC	PRC	Manufacturing of expandable polystyrene packaging products	RMB30,000,000	65%	–	65%

Notes:

a) Wisdom Sun and its subsidiaries were newly acquired by the Company during the year.

b) Dragon Vault and its subsidiaries were newly acquired by the Company during the year.

c) Registered under the Laws of the PRC as wholly-foreign-owned enterprise.

d) Registered under the Laws of the PRC as sino-foreign equity joint venture.

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For the year ended 31 December 2008

18. INVENTORIES

a) Inventories in the balance sheet comprises:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Raw materials and consumables	**8,271**	136
Work-in-progress	**430**	36
Finished goods	**9,617**	41
	18,318	213

b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**237,929**	9,843

19. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***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	**–**	2,144
	177,334	15,024	**–**	2,144

Notes to the Financial Statements

For the year ended 31 December 2008

19. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	The Group	
	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

b) 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 *(see note 2(k))*.

c) The movements of impairment loss on trade receivables is as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
At 1 January	**–**	3,240
Impairment loss on trade receivables recognised during the year	**–**	2,687
Additions through acquisitions of subsidiaries	**2,693**	–
Amounts recovered during the year	**(2,693)**	–
Reclassified as held for sale	**–**	(5,927)
At 31 December	**–**	–

As at 31 December 2008, trade receivables of the Group amounting to approximately HK$Nil (2007: HK$5,927,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables were outstanding for over 365 days as at the balance sheet date or were due from companies with financial difficulties. The Group does not hold any collateral over these balances.

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For the year ended 31 December 2008

19. TRADE AND OTHER RECEIVABLES *(Continued)*

d) Trade debtors and bills receivable that are not impaired

The aging analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**97,770**	4,546
Less than 3 month past due	**38,021**	5,408
3 months to 1 year past due	**187**	–
Over 1 year past due	**1,033**	–
	39,241	5,408
	137,011	9,954

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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20. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and in hand	**5,254**	15,823	**109**	7,420
Cash and cash equivalents included in a disposal group held for sale *(Note 9(a))*	**–**	183	**–**	–
Cash and cash equivalents in the consolidated balance sheet and the consolidated cash flow statement	**5,254**	16,006	**109**	7,420

Cash and cash equivalents include short-term bank deposits carrying interest at prevailing market rates. The directors consider the carrying value of the amount at the balance sheet date approximates to the fair value.

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bills payable	**49,536**	–	**–**	–
Trade payables *(note 21(a))*	**34,445**	4,485	**–**	–
	83,981	4,485	**–**	–
Land lease premium payable	**1,158**	1,090	**–**	–
Amount due to a related company *(note 21(b))*	**21**	–	**–**	–
Amount due to a former shareholder of subsidiaries *(note 21(c))*	**16,702**	–	**–**	–
Other payables	**8,760**	1,353	**2,883**	1,336
Financial liabilities measured at amortised cost	**110,622**	6,928	**2,883**	1,336

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21. TRADE AND OTHER PAYABLES *(Continued)*

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

	The Group	
	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

a) Trade payable 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, as disclosed in note 26.

c) The amount due to a former shareholder, Mrs. Chao (note 26), of subsidiaries is interest-free, unsecured and has no fixed terms of repayment.

22. BANK BORROWINGS

As at 31 December 2008, all the bank loans of the Group, which were all obtained in PRC and denominated in RMB, are repayable within 1 year or on demand and bear interest at commercial rates ranging from 5.86% to 11.21% per annum and break down as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Bank loan		
Secured	**58,842**	–
Unsecured	**9,087**	–
	67,929	–

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22. BANK BORROWINGS *(Continued)*

The secured bank loans were secured by:

(a) the Group's buildings with a carrying value of approximately HK$21,467,000 (2007: HK$ nil);

(b) certain of the Group's plant and machinery with a carrying value of approximately HK$13,360,000 (2007: HK$ nil);

(c) certain of the Group's lease premium for land with a carrying value of approximately HK$16,173,000 (2007: HK$ nil);

(d) certain of the Group's trade and other receivables with a carrying value of approximately HK$26,056,000 (2007: HK$ nil).

At 31 December 2008, the banking facilities to the total extent of HK$4,000,000 of the Group are secured by property of Mr. Chao and Mrs. Chao, and the personal guarantee of Mr. Chao. Such banking facilities were not utilised at 31 December 2008 (2007: HK$nil). However, subsequent to 31 December 2008, the banking facilities were fully utilised.

23. INCOME TAX IN THE BALANCE SHEET

a) Current taxation in the balance sheet represents:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
PRC Enterprise Income Tax		
At the beginning of the year	**–**	–
Exchange adjustments	**90**	–
Provision for the year	**7,844**	–
Tax paid	**(7,443)**	–
Acquisition of subsidiaries	**1,414**	–
At the end of the year	**1,905**	–

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23. INCOME TAX IN THE BALANCE SHEET *(Continued)*

b) Deferred tax liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	The Group
	HK$'000
Deferred tax arising from fair value adjustment on lease premium for land:	
At 1 January 2007, 31 December 2007 and 1 January 2008	–
Exchange adjustments	161
Additions through acquisition of subsidiaries	2,651
Charged to profit or loss	(63)
At 31 December 2008	2,749

c) Deferred tax assets not recognised

Deferred tax assets are to be recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

In accordance with the accounting policy set out in Note 2(p), the Group has not recognised deferred tax assets in respect of tax losses of HK$499,000 (2007: HK$12,048,000). For the year ended 31 December 2007, no deferred tax asset has been recognised in relation to the tax losses as the Group planned to dispose of the subsidiary company which contributed most of the tax losses. For the year ended 31 December 2008, no deferred tax assets has been recognised in relation to the above tax losses as it is uncertain that future taxable profit will be available against which the tax losses can be utilised. The tax losses do not expire under current tax legislation.

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24. SHARE CAPITAL

		The Company			
		2008		2007	
	Note	***No. of shares***	***HK$'000***	*No. of shares*	*HK$'000*
Authorised:					
At beginning of the year:					
Ordinary shares of HK$0.1 each (at 1 January 2007 – ordinary share of HK$0.01 each)		**1,000,000,000**	**100,000**	10,000,000,000	100,000
Share consolidation	*(a)*	**–**	**–**	(9,000,000,000)	–
At end of the year:					
Ordinary shares of HK$0.1 each		**1,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid:					
At beginning of the year		**121,500,000**	**12,150**	675,000,000	6,750
Share consolidation	*(a)*	**–**	**–**	(607,500,000)	–
Issue of one rights share for every two existing shares held	*(b)*	**–**	**–**	33,750,000	3,375
Placing of new shares	*(c)*	**–**	**–**	20,250,000	2,025
Shares issued for the acquisition of subsidiaries	*31(b)*	**120,689,655**	**12,069**	–	–
At end of year		**242,189,655**	**24,219**	121,500,000	12,150

Note:

a) By a special resolution passed on 10 April 2008, the following changes became effective on 11 April 2008:

- the authorised share capital of the Company remains at HK$100,000,000 but the number of ordinary shares have been reduced from 10,000,000,000 to 1,000,000,000 by the deduction of 9,000,000,000 shares.

- a share consolidation ("Share Consolidation") on the basis that every ten issued ordinary shares of HK$0.01 each in the capital of the Company were consolidated into one consolidated share of HK$0.10 each ("the Shares").

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For the year ended 31 December 2008

24. SHARE CAPITAL *(Continued)*

Note: (Continued)

b) The Company issued 33,750,000 shares at a subscription price of HK$0.3 each in the capital of the Company, by way of a rights issue in the proportion of one rights share for every two existing shares held to the shareholders whose names appear on the Company's register at the close of business on 30 March 2008. The transaction was completed on 10 April 2008. The net proceeds of approximately HK$9.4million, was used as to HK$8 million to fund the construction of production plant and purchase of machinery and equipment and HK$1.4 million as working capital for the operation of such plant.

c) On 30 July 2008 the Company entered into a conditional placing agreement to place a maximum of 20,250,000 new shares at a price of HK$0.92 per share.

The completion of the placing took place on 17 August 2008 when a total of 20,250,000 placing shares were placed out at a price of HK$0.92 per share.

The net proceeds from the placing of about HK$18.3 million, representing approximately HK$0.90 per share, will be used as the general working capital of the Group. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the company held on 10 May 2008 and rank pari passu with other shares in issue in all respects.

25. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs to the MPF Scheme.

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries of the Group are required to contribute certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

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26. RELATED PARTY TRANSACTIONS

During the year, saved as for the transactions and balances disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties:

I) RELATED PARTY TRANSACTIONS INCLUDED IN THE INCOME STATEMENT

	2008 *HK$'000*	2007 *HK$'000*
Sales to:		
惠州景華包裝制品有限公司	545	–

II) RELATED PARTY TRANSACTIONS INCLUDED IN THE BALANCE SHEET

	2008 *HK$'000*	2007 *HK$'000*
Amount due to惠州景華包裝制品有限公司 *(note 16)*	21	–
Amount due to a former shareholder of subsidiaries, Mrs. Chao *(note 16)*	16,702	–
Amount due from Education Solutions Provider Limited *(note 9(a))*	–	1,726
Amount due to Wah Lam Building Materials Limited *(note 9(b))*	–	442

Mr. Tsang Hon Chung, a former director of the Company who resigned on 1 November 2007, is a director and the beneficial shareholder of Education Solutions Provider Limited and Wah Lam Building Materials Limited.

惠州景華包裝制品有限公司 is controlled by Mr. Chao Pang Fei, the controlling shareholder of the Company.

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26. RELATED PARTY TRANSACTIONS *(Continued)*

III) KEY MANAGEMENT PERSONNEL REMUNERATION

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 13(a) and certain of the highest paid employees as disclosed in note 13(b) is as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**2,333**	700
Pension scheme contributions	**18**	18
	2,351	718

Total remuneration is included in "staff costs" (see note 7(b)).

27. OPERATING LEASE ARRANGEMENTS – AS LESSEE

The Group leases certain of its office premises under operating lease arrangements. The leases typically run for an initial period of six months to ten years, with an option to renew the lease when all terms are renegotiated. The terms of the lease require the lessee to pay security deposits.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Within one year	**4,828**	260
In the second to fifth year, inclusive	**3,750**	–
	8,578	260

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28. CAPITAL COMMITMENTS

The Group's authorised capital commitment outstanding at the year-end date and not provided for in the financial statements are as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
(a) purchase of property, plant and equipment	**1,721**	3,285
(b) acquisition of subsidiaries		
– Dragon Vault International Limited	–	7,000
– Wisdom Sun International Limited	–	170,759
Contracted but not provided for	**1,721**	181,044

29. ULTIMATE HOLDING COMPANY AND CONTROLLING PARTY

As at 31 December 2008, the directors regard Haijing Holdings Limited, a company incorporated in British Virgin Islands, as the ultimate holding company.

The directors regard Mr. Chao Pang Fei through his direct shareholding in Haijing Holdings Limited as being the ultimate controlling party.

30. ACQUISITION OF SUBSIDIARIES

a) On 2 January 2008, the Group acquired from Mr. Chao, the director and the controlling shareholder, 100% equity interest of Dragon Vault International Limited. Dragon Vault Group is engaged in the sales and manufacturing of EPS packaging products. The acquisition cost of HK$7,000,000 was satisfied by cash. The acquisition has been accounted for using the purchase method.

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30. ACQUISITION OF SUBSIDIARIES *(Continued)*

a) *(Continued)*

The net assets acquired in the transaction and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment	48	–	48
Lease premium for land	3,922	2,797	6,719
Construction-in-progress	6,328	–	6,328
Other receivables	3,517	–	3,517
Bank and cash balances	56	–	56
Trade and other payables	(58)	–	(58)
Amount due to a director	(10)	–	(10)
Amount due to a related company	(8,679)	–	(8,679)
Deferred tax liabilities	–	(699)	(699)
	5,124	2,098	7,222
Less: Minority interests of Dragon Vault Group			(1,891)
			5,331
Goodwill *(note 16)*		*(note (i)& (ii))*	1,669
Total consideration, satisfied by cash		*(note (i))*	7,000
Net cash outflow arising on acquisition:			
Cash consideration paid			(7,000)
Cash and cash equivalents acquired			56
			(6,944)

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30. ACQUISITION OF SUBSIDIARIES *(Continued)*

a) *(Continued)*

Dragon Vault Group contributed approximately HK$30,110,000 to the Group's turnover and approximately HK$2,818,000 to the Group's net profit for the period between the date of acquisition and the balance sheet date.

The acquisition was completed on 2 January 2008. The revenue and the profit for the period would be approximately the same if the acquisition had been completed on 1 January 2008.

b) On 2 January 2008, the Group acquired from Mrs. Chao, the spouse of Mr. Chao, 100% equity interest of Wisdom Sun International Limited. The Wisdom Sun Group is engaged in manufacturing of expandable polystyrene packaging products, paper honeycomb packaging materials and moulds products. The acquisition cost was satisfied as to of HK$170,758,620 by (i) HK$13,000,000 in cash, (ii) HK$25,000,000 payable, and (iii) HK$132,758,620 by the allotment and issue of 120,689,655 shares of the Company with a par value of HK$0.1 each at an issue price of HK$1.1 each* by the Company to Haijing Holdings Limited, the ultimate holding company of the Company which is controlled by Mr. Chao. This acquisition has been accounted for using the purchase method.

* The issue price of HK$1.1 each is the fair value of each of the 120,689,655 shares issued as part of the consideration for the acquisition of Wisdom Sun. The aggregate fair value of the shares issued, determined by reference to the published closing price of the shares at the date of the acquisition, amounted to HK$132,758,620.

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30. ACQUISITION OF SUBSIDIARIES *(Continued)*

b) *(Continued)*

	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	65,125	–	65,125
Lease premium for land	831	10,843	11,674
Construction-in-progress	1,660	–	1,660
Inventories	14,576	–	14,576
Trade and other receivables	121,324	–	121,324
Bank and cash balances	5,253	–	5,253
Trade and other payables	(45,042)	–	(45,042)
Amount due to a director	(19)	–	(19)
Bank borrowings	(57,071)	–	(57,071)
Tax payables	(1,414)	–	(1,414)
Dividend payable	(12,336)	–	(12,336)
Deferred tax liabilities	–	(1,952)	(1,952)
	92,887	8,891	101,778
Goodwill *(note 16)*		*(note (i) & (ii))*	68,981
		(note (i))	170,759
Total consideration, satisfied by:			
Cash consideration paid			13,000
Payable in cash within 1 year			25,000
Issue of shares			132,759
		(note (i))	170,759
Net cash outflow arising on acquisition:			
Cash consideration paid			(13,000)
Cash and cash equivalents acquired			5,253
			(7,747)

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30. ACQUISITION OF SUBSIDIARIES *(Continued)*

b) *(Continued)*

Wisdom Sun Group contributed approximately HK$272,866,000 to the Group's turnover and approximately HK$37,934,000 to the Group's net profit for the period between the date of acquisition and the balance sheet date.

The acquisition was completed on 2 January 2008. The revenue and the profit for the period would be approximately the same if the acquisition had been completed on 1 January 2008.

Note:

(i) The consideration on acquisition is subject to adjustment based on the audited combined net profits after taxation of each of the PRC companies comprised in the Wisdom Sun Group and Dragon Vault Group for the year ended 31 December 2008 and the respective goodwill will be adjusted accordingly *(see note 16)*.

(ii) The goodwill arising on the acquisition of Dragon Vault Group and Wisdom Sun Group is attributable to the anticipated profitability generated from the synergy, revenue growth and future market development as a result of the acquisition of the Dragon Vault Group and Wisdom Sun Group. The Dragon Vault Group and Wisdom Sun Group have experienced management, key personnel, marketing and technical staff who will enable efficient operation of the enlarged group. The benefit from these factors are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

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31. DISPOSAL OF A SUBSIDIARY

On 17 March 2008, the Group disposed 100% equity interest in Innovis Technology Limited to Mr. Lam Ying Hung Andy. The disposal consideration of HK$50,000 was satisfied in cash.

Details of the net assets disposed of in respect of the disposal of Innovis Technology Limited are summarised below:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	29
Trade and other receivables	1,979
Amount due from a related company	1,726
Available-for-sale financial assets	917
Bank and cash balances	183
Trade and other payables	(1,633)
Amount due to a director	(1)
Amount due to an intermediate holding company	(3,150)
	50
Profit or loss on disposal of subsidiary	–
Total consideration satisfied by cash	50
Net cash inflow arising on disposals:	
Cash consideration received	50
Bank and cash balances disposed of	(183)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiary	(133)

The subsidiary disposed of during the period did not have any contribution to the Group's results and cash flows.

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32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include borrowings, trade receivables and trade payables. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk and currency risk. The policies on how management mitigates these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) CREDIT RISK

i) As at 31 December 2008, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance.

ii) In respect of trade and other receivables, in order to minimize risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition is performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets. Debts are usually due within 90 days from the date of billing.

The Group's exposure to credit risk of trade and other receivables is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the balance sheet date, the Group has a certain concentration of credit risk as 41.9% (2007: 62.3%) and 23.6% (2007: 62.5%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively within the electronics business segment.

iii) The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

Notes to the Financial Statements

For the year ended 31 December 2008

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

b) LIQUIDITY RISK

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2008, the Group has available un-utilised banking facilities of approximately HK$4,000,000 (2007: HK$nil), details of which are disclosed in note 22.

The following liquidity table set out the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company are required to pay:

The Group

	2008			2007		
	Within 1 year or on demand *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Carrying amount *HK$'000*	Within 1 year or on demand *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Carrying amount *HK$'000*
Secured bank loans – variable rates	69,961	69,961	67,929	–	–	–
Trade and other payables	110,622	110,622	110,622	6,928	6,928	6,928
	180,583	180,583	178,551	6,928	6,928	6,928

The Company

	2008			2007		
	Within 1 year or on demand *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Carrying amount *HK$'000*	Within 1 year or on demand *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Carrying amount *HK$'000*
Trade and other payables	2,883	2,883	2,883	1,336	1,336	1,336

Notes to the Financial Statements

For the year ended 31 December 2008

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

c) INTEREST RATE RISK

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 22 for details of these borrowings) and fair value interest rate risk in relation to fixed-rate bank borrowings.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's borrowings at the balance sheet date:

The Group

	2008 Effective interest rates %	*HK$'000*	2007 Effective interest rates %	*HK$'000*
Variable rate borrowings:				
Bank loans	**9.31**	**67,929**	–	–
Total borrowings		**67,929**		–

(ii) Sensitivity analysis

All of the bank loans of the Group which are fixed rate instruments are insensitive to any change in interest rates. A change in interest rates at the balance sheet date would not affect profit or loss.

At 31 December 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate borrowing, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately HK$509,000 (2007: HK$nil). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date.

Notes to the Financial Statements

For the year ended 31 December 2008

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

d) CURRENCY RISK

i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currencies of the Group entities to which they relate. The Company does not expose to material currency risk at the balance sheet date.

The Group

	2008 United States dollars *'000*	2007 United States dollars *'000*
Trade and other receivables	**370**	–
Cash and cash equivalents	**52**	–
Trade and other payables	**(358)**	–
Overall exposure to currency risk	**64**	–

Notes to the Financial Statements

For the year ended 31 December 2008

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

d) CURRENCY RISK

ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax (and retained profits) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

The Group

	2008		2007	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits** *HK$'000*	Increase/ (decrease) in foreign exchange rates	Effect profit after tax and retained profits *HK$'000*
United States dollars	**3%**	**11**	3%	–
	(3%)	**(11)**	(3%)	–

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2007.

Notes to the Financial Statements

For the year ended 31 December 2008

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

d) CURRENCY RISK *(Continued)*

iii) RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the revenue-generating subsidiaries of the Company are transacted in RMB. The subsidiaries of the Company is exposed to foreign currency risk on financing transactions denominated in currencies other than RMB. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results. The Group did not hedge its currency exposure.

e) FAIR VALUES

The fair values of cash and cash equivalents, bank deposits, trade and other receivables, trade and other payables are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments. The carrying amounts of bank loans approximate their fair values.

f) ESTIMATION OF FAIR VALUES

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments.

– Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

Notes to the Financial Statements

For the year ended 31 December 2008

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

g) CAPITAL MANAGEMENT

The Group's objectives when managing capital are to ensure that entities within the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

The gearing ratios at 31 December 2008 and 2007 were as follows:

	2008	2007
	HK$'000	*HK$'000*
Total borrowings *(Note 22)*	**67,929**	–
Less: Cash and cash equivalents *(Note 20)*	**(5,254)**	(16,006)
Net debt	**62,675**	(16,006)
Total capital	**224,225**	34,106
Gearing ratio	**28.0%**	N/A

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the Financial Statements

For the year ended 31 December 2008

33. ACCOUNTING ESTIMATES AND JUDGEMENTS

a) KEY SOURCES OF ESTIMATION UNCERTAINTY

i) Impairment of property, plant and equipment and land lease prepayments

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

ii) Impairment of receivables

The Group maintains impairment allowance for doubtful accounts based upon evaluation of the recoverability of the trade and other receivables, where applicable, at each balance sheet date. The estimates are based on the ageing of the trade and other receivables balances and the historical write-off experience, net of recoveries. If the financial conditions of the debtors were to deteriorate, additional impairment allowance may be required.

iii) Installation service contracts

As explained in the accounting policy, note 2(r)(ii), revenue and profit recognition on an incomplete contract is dependent on estimating the total outcome of the installation service contract, as well as the work done to date. Based on the Group's recent experience and the nature of the installation service activities undertaken, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the trade receivables as disclosed in note 19 will not include profit which the group may eventually realize from the work done to date. In addition, actual outcome in terms of total cost or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

b) CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the balance sheet date. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

Financial Summary

At 31 December

	At 31 December				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**313,097**	11,452	4,511	19,428	26,079
Profit/(loss) before taxation	**44,106**	(8,167)	(9,045)	(8,744)	118
Income tax (expense) credit	**(7,781)**	60	(181)	–	(98)
Profit/(loss) for the year	**36,325**	(8,107)	(9,226)	(8,744)	20
Attributable to:					
Equity shareholders of the Company	**34,793**	(8,107)	(9,226)	(8,744)	20
Minority interests	**1,532**	–	–	–	–
	36,325	(8,107)	(9,226)	(8,744)	20

	At 31 December				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**407,430**	43,037	16,314	24,451	30,650
Total liabilities	**(183,205)**	(8,931)	(2,717)	(10,712)	(7,935)
	224,225	34,106	13,597	13,739	22,715
Attributable to:					
Equity shareholders of the Company	**210,106**	34,106	13,597	13,739	22,715
Minority interests	**14,119**	–	–	–	–
	224,225	34,106	13,597	13,739	22,715

Major Properties Held by the Group

For the year ended 31 December 2008

	Location	Existing use	Term of lease	Percentage of interest
1.	Factory Complex at the junction of Furong Road and Yuping Road, Hefei Economic and Technological Development Zone, Hefei City, Anhui Province, the PRC	Industrial	Medium	100%
2.	Development Site at Ziyun Road, Taohua Industrial Base Hefei Economic and Technological Development Zone, Hefei City, Anhui Province, the PRC	Industrial	Medium	100%
3.	Factory Complex at Wolong Road, Taohua Industrial Base Hefei Economic and Technological Development Zone, Hefei City, Anhui Province, the PRC	Industrial	Medium	65%