

中國海景

FIRST QUARTERLY REPORT

2010



中國海景控股有限公司
Sino Haijing Holdings Limited

Stock Code: 8065



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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Perspective 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 characteristic 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 and no assurance given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim 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 collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material aspects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) 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.



UNAUDITED FIRST QUARTERLY RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31 March 2010, together with comparative unaudited figures for the corresponding period in 2009 as follows:

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	Three months ended 31 March 2010 HK\$'000	Three months ended 31 March 2009 HK\$'000
Turnover	2	116,586	79,515
Cost of sales		<u>(96,247)</u>	<u>(69,070)</u>
Gross profit		20,339	10,445
Other income		724	1,221
Administrative and other operating expenses		<u>(11,846)</u>	<u>(7,882)</u>
Profit from operations		9,217	3,784
Finance costs		<u>(1,509)</u>	<u>(1,357)</u>
Profit before taxation		7,708	2,427
Income tax	4	<u>(2,403)</u>	<u>(679)</u>
Profit for the period		<u>5,305</u>	<u>1,748</u>
Other comprehensive income for the period			
Exchange differences arising on translation of foreign operations		<u>353</u>	<u>(262)</u>
Total comprehensive income for the period		<u>5,658</u>	<u>1,486</u>
Profit attributable to:			
Equity shareholders of the Company		<u>5,050</u>	1,386
Minority interests		<u>255</u>	<u>362</u>
Profit for the period		<u>5,305</u>	<u>1,748</u>
Total comprehensive income attributable to:			
Equity shareholders of the Company		<u>5,381</u>	1,146
Minority interests		<u>277</u>	<u>340</u>
Total comprehensive income for the period		<u>5,658</u>	<u>1,486</u>
Earnings per share	6		
– Basic		<u>HK\$2.1 cents</u>	<u>HK\$0.6 cents</u>
– Diluted		<u>HK\$2.1 cents</u>	<u>HK\$0.6 cents</u>



Notes:

1. BASIS OF PREPARATION

The Group's unaudited condensed consolidated results for the three months ended 31 March 2010 have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules and Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the company. There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It is also requires management to exercise their judgments in the process of applying the Group's accounting policies.

The accounting policies adopted in preparing the unaudited condensed consolidated first quarterly results were consistent with those applied for the financial statements of the Group for the year ended 31 December 2009.

The condensed consolidated first quarterly results have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

2. TURNOVER

The principal activities of the Group are manufacture and sale of packaging materials in the PRC. Turnover represents the sales value of goods supplied to the customers, which excludes value-added tax and it stated after deduction of all goods returns and trade discounts.

3. SEGMENT REPORTING

The Company has adopted HKFRS 8 "Operating segments" with effective from 1 January 2009. HKFRS 8 requires operating segments to be identified on basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

a) *Segment revenue, results, assets and liabilities*

The Group is principally engaged in the manufacture and sale of packaging materials in the PRC. The Group's chief operating decision maker regularly reviews their consolidated financial information to assess the performance and make resource allocation decisions. Accordingly, there is only one operating segment for the Group and no segmental revenue, results, assets and liabilities is presented.

b) *Geographical information*

The geographical location of customers is based on the location at which the goods are delivered. Substantially, all of the Group's revenue from external customers, non-current assets and capital expenditure are located in the PRC, no analysis on revenue from external customers and non-current assets by location are presented.

4. INCOME TAX

No provision for Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong. The provision for PRC income tax is calculated based on the statutory income tax rate according to the relevant laws and regulations in the PRC.

5. DIVIDEND

For the three months ended 31 March 2010, the Board does not recommend the payment of a dividend (2009: Nil).

6. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share attributable to the ordinary equity shareholders of the Company are based on the following data:

	Three months ended 31 March 2010 HK\$'000	Three months ended 31 March 2009 HK\$'000
Profit:		
Profit for the period attributable to ordinary equity shareholders of the Company	<u>5,050</u>	<u>1,386</u>



	Three months ended 31 March 2010 '000	Three months ended 31 March 2009 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	242,190	241,190
Add: Effect of deemed issue of shares under the Company's share option scheme	670	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	242,860	242,190

7. SHARE SUBDIVISION

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 3 May 2010, every one issued and unissued ordinary share of HK\$0.10 each in the share capital of the Company be subdivided into 2 shares of HK\$0.05 each. Upon the share subdivision becoming effective on 4 May 2010, the authorised share capital of the Company became HK\$100,000,000 divided into 2,000,000,000 subdivided shares, of which 484,379,310 subdivided shares are in issue and fully paid.

According to the respective terms of the share option scheme, the exercise price and number of share options that remained outstanding as at 4 May 2010 was adjusted upon the share subdivision becoming effective as follows:

Date of grant	Before the Share Subdivision becoming effective		After the Share Subdivision becoming effective	
	Exercise price	Number of outstanding share options	Exercise price	Number of outstanding share options
6/11/2009	HK\$0.42	24,200,000	HK\$0.21	48,400,000 <i>Note</i>

Note:

Each outstanding option upon the share subdivision becoming effective is entitled to one subdivided share upon exercise.

8. SHARE CAPITAL, SHARE PREMIUM AND RESERVES

	Attributable to equity shareholders of the Company									
	Issued capital HK\$'000	Share Premium HK\$'000	Capital reserve HK\$'000	Share options reserve HK\$'000	Statutory surplus reserves HK\$'000	Translation reserve HK\$'000	Retained Profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1/1/2009	24,219	153,923	117	–	5,957	12,955	12,935	210,106	14,119	224,225
Equity settled share-based transactions	–	–	–	1,596	–	–	–	1,596	–	1,596
Total comprehensive income for the year	–	–	–	–	–	(17)	14,602	14,585	1,374	15,959
Transfer	–	–	–	–	4,147	–	(4,147)	–	–	–
At 31/12/2009 and 1/1/2010	24,219	153,923	117	1,596	10,104	12,938	23,390	226,287	15,493	241,780
Equity settled share-based transactions	–	–	–	224	–	–	–	224	–	224
Dividend paid	–	–	–	–	–	–	–	–	(857)	(857)
Total comprehensive income for the period	–	–	–	–	–	331	5,050	5,381	277	5,658
At 31/3/2010	<u>24,219</u>	<u>153,923</u>	<u>117</u>	<u>1,820</u>	<u>10,104</u>	<u>13,269</u>	<u>28,440</u>	<u>231,892</u>	<u>14,913</u>	<u>246,805</u>



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the three months ended 31 March 2009, the Group recorded a turnover of approximately HK\$116.59 million, representing an increase of approximately 46.62% as compared with approximately HK\$79.52 million for the corresponding period in 2009. Profit attributable to equity shareholders of the Company for the three months ended 31 March 2010 was approximately HK\$5.05 million, representing an increase of approximately 264.36% as compared with approximately HK\$1.39 million for the corresponding period in 2009.

Business Review

During the period under review, the "Rural Area Subsidized Electrical Appliances Purchase Policy", the "Home Appliances Replacement Policy" and the "Energy Efficient Product Subsidy Policy" implemented by the PRC government stimulated the demand of home appliances. The net profit for the first quarter of 2010 was approximately HK\$5.05 million as compared with approximately HK\$1.39 million for the corresponding period in 2009, showing a significant profit improvement.

Business Outlook

Given the initial recovery of the global economy and the support of the "Rural Area Subsidized Electrical Appliances Purchase Policy" implemented by the PRC government, the Group is cautious optimistic for the operation in 2010. The Group will commit to broaden the sources of income and reduce the operating costs. In addition to consolidate the existing business, the Group will also actively develop the new customers and the new markets. The Group will also put strenuous efforts to implement effective cost-control measures, through strengthening the internal management and improving the operating processes resulting in a more streamlined operation and increased overall production efficiency. In 2010, the Group's core strategies are "to optimize the product structures, strengthen the internal management and team building".

To optimize the product structures

In addition to consolidate the existing household electrical appliance packaging business, the Group will continue to optimize its product structures so as to boost sales value.

The Group has started to develop the new businesses beyond its existing household electrical appliance packaging business, including the logistic and freight packaging solutions business. The Group has targeted to upgrade from the manufacturer of household electrical appliance packaging products to an excellent complete packaging solutions providers so as to further improve its overall competitiveness and profitability.

To strengthen the internal management

The Group will continue to strengthen its internal management, simplify and improve procedures and processes to make operations more streamlined. The Group will convene regular internal meetings to facilitate communication among the Group's subsidiaries in order to promote market information and exchange production technology so that all departments complement each other in their respective merits and enhance overall efficiency.

The Group will strengthen the management of production technology and improve the mechanization of equipment standards, and enhance staff operational skills in order to improve overall production efficiency.

The Group requires utilizing the massive steam in the daily production process and to improve the mould design can effectively reduce the consumption of steam. In 2010, the Group will focus on improving mould design, thereby enhancing production efficiency and cost savings.



Team building

The Group has adhered to the “people-oriented” enterprise conviction and strongly believed that only having outstanding human resources can enhance the overall competitiveness and cohesive spirit of the Group. The Group has adopted a share option scheme and offered a refined incentive bonus program to its staff. The Group provides ongoing staff training and offers fair and equitable career advancement to its staff so as to enhance the quality of management and operations skills of the staff and nurture the key human resources for the future development of the Group.

DISCLOSURE OF DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN THE SECURITIES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 March 2010, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong (“SFO”), which will have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in the shares of the Company

Name of Director	Types of interests	Number of shares held	Approximate % of shareholding
			%
Mr. Chao Pang Fei ("Mr. Chao")	Interest of a controlled corporation	172,599,005 (Note)	71.27
	Beneficial interest	<u>9,030,000</u>	<u>3.72</u>
		<u><u>181,629,005</u></u>	<u><u>74.99</u></u>

Note:

These shares are legally owned by Haijing Holdings Limited (“Haijing”), a company incorporated in the British Virgin Islands (“BVI”) with limited liability and is wholly owned by Mr. Chao. By virtue of his 100% shareholding interest in Haijing, Mr. Chao is taken to be interested in all the shares of the Company held by Haijing pursuant to Part XV of the SFO.



(b) Share options granted to Directors

As at 31 March 2010, details of the share options granted to Directors are as follows:

	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options			
				Balance as at 1/1/2010	Exercised during the period	Lapsed upon resignation	Balance as at 31/3/2010
Wang Yi	6/11/2009	6/11/2009-5/11/2013	0.42	2,000,000	-	-	2,000,000
Wang Yi	6/11/2009	6/11/2011-5/11/2013	0.42	2,000,000	-	-	2,000,000
Hui Hongyan	6/11/2009	6/11/2009-5/11/2013	0.42	1,168,000	-	-	1,168,000
Hui Hongyan	6/11/2009	6/11/2011-5/11/2013	0.42	1,168,000	-	-	1,168,000
Deng Chuangping	6/11/2009	6/11/2009-5/11/2013	0.42	1,440,000	-	-	1,440,000
Deng Chuangping	6/11/2009	6/11/2011-5/11/2013	0.42	1,440,000	-	-	1,440,000
				9,216,000	-	-	9,216,000

(c) Short positions in the shares and underlying shares of equity derivatives of the Company

Save as disclosed herein, as at 31 March 2010, none of Directors or chief executives of the Company has short positions in the shares, underlying shares of equity derivatives of the Company or any of its associated corporations.

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

So far as was known to the Director or chief executive of the Company, as at 31 March 2010, persons (not being a Director or chief executive of the Company) who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the positions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 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 member of the Group were as follows:

(a) Long positions in the shares of the Company

Name	Types of interests	Number of shares	Approximate % of interest
			%
Haijing (Note 1)	Beneficial owner	172,599,005	71.27
Ms. Sam Mei Wa (Note 2)	Interest of spouse	181,629,005	74.99



Notes:

1. Haijing is a company incorporated in the BVI and is wholly owned by Mr. Chao. Mr. Chao is also the sole director of Haijing.
2. 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.

(b) Short positions in the shares and underlying shares of equity derivatives of the Company

So far as the Directors are aware, save as disclosed herein, no persons have short position in the shares or underlying shares of equity derivatives of the Company.

COMPETING INTERESTS

As at 31 March 2010, 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors of the Company, all Directors confirm that they complied with such code of conduct throughout the three months ended 31 March 2010.

PURCHASE, DISPOSAL OR REDEMPTION OF SECURITIES

During the three months ended 31 March 2009, neither the Company, nor any of its subsidiaries purchased, disposed of or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

In accordance with the requirement of the GEM Listing Rules, the Group established an audit committee comprising three independent non-executive directors of the Company. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee currently comprises three independent non-executive directors, namely Mr. Ho Ka Wing, Mr. Cheng Yun Ming, Matthew and Mr. Sin Ka Man.

The Group's unaudited condensed consolidated first quarterly results for the three months ended 31 March 2010 have been 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 have been made.

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

Hong Kong, 7 May 2010

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