



**SINO HAIJING HOLDINGS LIMITED**  
**中國海景控股有限公司**

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

**(Stock Code: 8065)**

**ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED**  
**31ST DECEMBER, 2006**

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

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*The Stock Exchange takes no responsibility for the contents of this announcement, 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 announcement. This announcement, for which 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 announcement 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 announcement misleading; and iii. all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcement” page for at least 7 days from the date of its posting.*

## FINAL RESULTS

The board (the “Board”) of directors of the Company (the “Directors”) herein present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31st December, 2006 together with the comparative audited figures for the corresponding period in 2005.

### CONSOLIDATED INCOME STATEMENT

		Year ended 31st December,	
		2006	2005
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>TURNOVER</b>	3	<b>4,511</b>	19,428
<b>COST OF SALES</b>		<b>(4,228)</b>	(19,004)
<b>GROSS PROFIT</b>		<b>283</b>	424
<b>OTHER REVENUE</b>	3	<b>583</b>	257
<b>ADMINISTRATIVE AND OTHER OPERATING EXPENSES</b>		<b>(9,872)</b>	(9,270)
<b>LOSS FROM OPERATIONS</b>		<b>(9,006)</b>	(8,589)
<b>FINANCE COSTS</b>	4	<b>(39)</b>	(155)
<b>LOSS BEFORE TAXATION</b>	5	<b>(9,045)</b>	(8,744)
<b>TAXATION</b>	6	<b>(181)</b>	–
<b>LOSS FOR THE YEAR</b>		<b>(9,226)</b>	(8,744)
<b>ATTRIBUTABLE TO: EQUITY HOLDERS OF THE COMPANY</b>	7	<b>(9,226)</b>	(8,744)
<b>DIVIDENDS</b>	8	<b>–</b>	–
<b>LOSS PER SHARE</b>	9		
– Basic		<b>(1.6) cents</b>	(2.3) cents
– Diluted		<b>N/A</b>	N/A

# CONSOLIDATED BALANCE SHEET

At 31st December, 2006

	<i>Note</i>	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		492	688
Available-for-sale financial assets		859	767
Held-to-maturity debt securities		–	49
Retention money receivable		563	1,224
		<u>1,914</u>	<u>2,728</u>
<b>CURRENT ASSETS</b>			
Held-to-maturity debt securities		49	–
Tax recoverable		60	264
Prepayment, deposits and other receivables		2,663	2,305
Trade receivables	10	2,802	14,404
Retention money receivable		33	137
Pledged time deposits		2,376	1,526
Cash and cash equivalents		6,417	3,087
		<u>14,400</u>	<u>21,723</u>
<b>CURRENT LIABILITIES</b>			
Bills payable, unsecured		–	4,873
Trade payables	11	1,118	3,002
Other payables and accruals		1,005	918
Secured bank loan		–	833
Amount due to a director		152	1,026
Amount due to a related company		442	60
		<u>2,717</u>	<u>10,712</u>
<b>NET CURRENT ASSETS</b>		<u>11,683</u>	<u>11,011</u>
<b>NET ASSETS</b>		<u>13,597</u>	<u>13,739</u>
<b>CAPITAL AND RESERVES</b>			
Issued capital		6,750	3,750
Reserves		6,847	9,989
<b>TOTAL EQUITY</b>		<u>13,597</u>	<u>13,739</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2006

	Issued capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1/1/2005	3,750	8,672	117	-	10,176	22,715
Opening adjustment for the adoption of HKAS39	-	-	-	(111)	-	(111)
Fair value loss on available-for-sale financial assets	-	-	-	(121)	-	(121)
Net loss for the year	-	-	-	-	(8,744)	(8,744)
At 31/12/2005 and 1/1/2006	3,750	8,672	117	(232)	1,432	13,739
Issue of one rights share for every two existing shares	1,875	1,875	-	-	-	3,750
Placing of new shares	1,125	4,275	-	-	-	5,400
Issuing expenses	-	(158)	-	-	-	(158)
Fair value gain on available-for-sale financial assets	-	-	-	92	-	92
Net loss for the year	-	-	-	-	(9,226)	(9,226)
At 31/12/2006	<u>6,750</u>	<u>14,664</u>	<u>117</u>	<u>(140)</u>	<u>(7,794)</u>	<u>13,597</u>

*Notes:*

## **1. BASIS OF PREPARATION**

### **a) GENERAL INFORMATION**

The Company is an investment holding company. Its subsidiaries are principally engaged in provision of intelligent building system (“IBS”) solutions installation services and sales of electronic equipment.

The Company was incorporated in the Cayman Islands on 8th July, 2002 is 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 31st December.

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

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

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

## **2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong. 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 and the disclosure requirements of the Hong Kong Companies Ordinance.

### 3. TURNOVER AND OTHER REVENUE

Turnover represents revenue recognised in respect of IBS solutions installation services rendered and the net invoiced value of goods sold. An analysis of the Group's turnover and other major revenue is set out below:

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Turnover		
IBS solutions and sales of goods	<u>4,511</u>	<u>19,428</u>
Other revenue		
Bank interest income	148	18
Gain on disposal of trading in securities	306	–
Exchange gain	16	–
Sundry income	113	239
	<u>583</u>	<u>257</u>
Total revenue	<u><b>5,094</b></u>	<u>19,685</u>

### 4. FINANCE COSTS

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Bank charges	14	36
Bank loan interest	11	106
Bank overdraft interest	1	1
Interest on finance leases	–	9
Trust receipt loan interest	13	3
	<u>39</u>	<u>155</u>

## 5. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the following:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Auditors' remuneration		
– current year	170	170
– under-provision in previous year	–	24
	<b>170</b>	194
Depreciation	<b>209</b>	187
Operating lease charges on rented premises and equipment	<b>448</b>	156
Staff cost (including directors' remuneration)	<b>2,259</b>	1,798
Staff retirement costs (including directors' emolument)	<b>118</b>	128
Bad debts written off	<b>3,050</b>	1,678
Impairment loss of		
– trade and retention money receivables	<b>1,700</b>	–
– other receivables	–	2,837
Research and development costs	<b>514</b>	–

## 6. TAXATION

Taxation represents provision for Hong Kong profits tax at the rate of 17.5% (2005: 17.5%) on the respective estimated assessable profits of the companies within the Group operating in Hong Kong for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

No provision for Hong Kong profits tax and overseas tax has been made as the Group has no assessable profits for the year. (2005: Nil).

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Under provision in previous year	<b>181</b>	–

The taxation for the year can be reconciled to the loss before taxation per income statement as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Loss before taxation	<b>(9,045)</b>	(8,744)
Calculated at the applicable tax rate at 17.5%	<b>(1,583)</b>	(1,530)
Tax effect of non-deductible expenses	<b>334</b>	496
Tax effect of non-taxable revenue	<b>(49)</b>	(3)
Tax effect of accelerated depreciation allowances	<b>15</b>	–
Tax effect of current year's tax losses not recognised	<b>1,283</b>	1,037
Under provision in previous year	<b>181</b>	–
	<b>181</b>	–

## 7. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders includes a loss of approximately of HK\$8,858,000 (2005: HK\$5,515,000) which has been dealt with in the financial statements of the Company.

## 8. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31st December, 2006 (2005: Nil).

## 9. LOSS PER SHARE

The calculation of loss per share for the year is based on the following data:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Loss attributable to equity holders	<u>(9,226)</u>	<u>(8,744)</u>

The calculation of basic earnings per share for the year is based on the group's loss for the year attributable to equity holders of HK\$9,226,000 (2005: HK\$8,744,000) and the weighted average number of 569,280,822 shares (2005: 375,000,000) in issue during the year.

Diluted loss per share is not presented for the year ended 31st December, 2006 as there was no dilutive potential share in existence in the year.

## 10. TRADE RECEIVABLES

The Group allows its customers credit period of 60 days to 90 days depending on their credit worthiness. The following is an aging analysis of trade receivables:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within 3 months	52	7,081
Over 3 months but within 6 months	6	1,740
Over 6 months but within 1 year	432	1,261
Over 1 year	<u>2,312</u>	<u>4,322</u>
	<u>2,802</u>	<u>14,404</u>



## 11. TRADE PAYABLES

The following is an aging analysis of trade payables:

	<b>2006</b>	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	<b>42</b>	1,483
Over 3 months but within 6 months	<b>24</b>	548
Over 6 months but within 1 year	<b>16</b>	134
Over 1 year	<b>1,036</b>	837
	<hr/>	<hr/>
	<b>1,118</b>	3,002
	<hr/> <hr/>	<hr/> <hr/>

## 12. SEGMENT INFORMATION

The Group's operation is regarded as a single segment, being an enterprise engaged in the provision of IBS solutions installation services and sales of electronic equipment. Over 90% of the Group's provision of services and sales are made in Hong Kong during the year. Accordingly, no segmental analysis of business and geographical segments is presented for the year.

## **FINANCIAL REVIEW**

For year under review, the Group recorded a total turnover of approximately HK\$4,511,000 (2005: HK\$19,428,000). Loss attributable to shareholders was approximately HK\$9,226,000 (2005: HK\$8,744,000). Overall turnover declined mainly due to the continuous sluggish Hong Kong construction market. The increase in the loss attributable to shareholders was due to the decrease in turnover and increase in bad debts written off of trade debtors.

## **BUSINESS REVIEW**

Over the recent years, the Group has constantly suffered from profit setbacks with newly-constructed buildings of the construction sector in the territory showing no sign of increase. To foster a sustainable development, in addition to strengthening existing business, the Company has designed an educational-related intelligent system targeted at international schools with stronger spending power, with a vision to establishing a larger market share in these economically synergetic markets.

In addition, the Group is continuously investigating intelligent control solutions for air-conditioning systems and lighting systems, which are widely applicable on the existing commercial buildings, schools and car parks, in association with a number of energy-saving system companies.

## **BUSINESS OUTLOOK**

The Directors consider that recent signs of recovery in the Hong Kong economy did not have any positive impact on the growth of the building and construction industry in Hong Kong, its growth remained stagnant, as such, the Directors anticipate a continual sluggish demand for both IBS products and services in the immediate future. Moreover, the price-cutting strategies adopted by IBS competitors have resulted in an increasingly difficult environment for the industry. To cope with the challenge, the Group has initiated a series of active promotion measures in attempt to strengthen its competitiveness and income generating ability.

Up to now, deferrals in clients payment remain the most serious problem for the Group. Extensive efforts were made to collect the overdue payments, including proactively approaching individual clients for payment arrangement, in order to speed up their process of repayment. After formulating solutions for client reorganization programme, the Group has identified new potential companies and clients with stronger financial base, while existing clients with prolonged records of defaulted payments are abandoned. Confronted with the deeply rooted problem of delayed payment for the whole industry, the Group strives to minimize the extent of this problem by adopting the above mentioned measures.

The Group's profit enhancement efforts have not gained proven results and do not offset the existing industrial difficulties. Accordingly, the Group actively extends its IBS products to applications in other similar sectors. To optimize the prevailing operating environment, inter alia, substantial resources were deployed to develop the Logistics Intelligent System solutions. In light of the rapidly growing domestic logistics industry, the combination of intelligent systems and software have enormous potentials for future development by being not the mainstream in the market place.

The development of a set of logistics platform software with a domestic partner, which is intended to incorporate with the Group's intelligent solutions is still underway. Through these efforts, the Group aims at strengthening market competitive edges and thus better profit prospects.

Moreover, to diversify the business risks associated in IBS industry so as to achieve continuous development and expansion, the Group will pursue business opportunity in the packaging industry. On 29th December, 2006, the Group entered into the Sale and Purchase Agreement in relation to the acquisition of a land use right on a piece of industrial land in Hefei, Anhui PRC at the consideration of RMB3,398,100 (equivalent to approximately HK\$3.36 million). The land will be used for the construction of production plant of the Group for the manufacture of paper products and packaging materials.

However, the Group has no current intention to change its principal business activities in relation to the IBS industry.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31st December, 2006, the Group had net current assets of approximately HK\$11,683,000 (2005: HK\$11,011,000) of which approximately HK\$2,376,000 and HK\$6,417,000 (2005: approximately HK\$1,526,000 and HK\$3,087,000) were pledged bank deposits and cash and cash equivalents respectively. 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 31st December, 2006, the Group had a total of around 14 (2005: 17) 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 31st December, 2006, the Group's net assets were financed by internal resources through share capital and reserves. Total equity attributable to shareholders was approximately HK\$13,597,000 as at 31st December, 2006, representing a decrease of approximately 1% over last year.

## **SIGNIFICANT INVESTMENTS**

There were no significant investments held by the Group as at 31st December, 2006.

## **CAPITAL COMMITMENT**

The group's capital commitment outstanding at the year ended and contracted but not provided for in the financial statements is HK\$3,360,000 (2005: Nil).

## **MATERIAL ACQUISITIONS AND DISPOSALS/FUTURE PLANS FOR MATERIAL INVESTMENTS**

On 29th December, 2006, the Group entered into the Sale and Purchase Agreement in relation to the acquisition of a land use right on a piece of industrial land located in Hefei City, Anhui Province, the PRC at the consideration of RMB3,398,100 (equivalent to approximately HK\$3.36 million). The land will be used for the construction of production plant of the Group for the manufacture of paper products and packaging materials. The capital expenditure for the construction of production plant and purchase of machinery and equipment is estimated to be about RMB8.7 million (equivalent to approximately HK\$8.61 million).

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

## **PLEDGE OF ASSETS OF THE GROUP**

As at 31st December, 2006, bank deposits of HK\$2,376,000 (2005: HK\$1,526,000) have been pledged to the banks to secure general banking facilities granted to the Group.

## **CONTINGENT LIABILITIES**

At as 31st December, 2006, the Group did not have any significant contingent liabilities (2005: nil).

## **GEARING RATIO**

As at 31st December, 2006, the Group had a net cash and cash equivalents position of approximately HK\$6,417,000 (2005: HK\$3,087,000). The Group had no gearing as at 31st December, 2006. (2005: Nil)

## **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.

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

As at 31st December, 2006, 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**

<b>Name of Director</b>	<b>Type of interests</b>	<b>Number of securities</b>	<b>Approximate percentage of shareholding</b>
Mr. Chao Pang Fei (“Mr. Chao”)	Interest of a controlled corporation	345,729,000 shares ( <i>Note</i> )	51.22%

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

Save as disclosed herein, as at 31st December, 2006, none of the 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 DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING**

So far as is known to any Director or chief executive of the Company, as at 31st December, 2006, 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 provisions 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**

<b>Name</b>	<b>Type of interests</b>	<b>Number of shares</b>	<b>Approximate percentage of interests</b>
Haijing ( <i>Note</i> )	Beneficial owner	345,729,000 shares	51.22%

*Note:*

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

### **(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.

## **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.

## **COMPETING INTERESTS**

As at 31st December, 2006, none of the Directors or management shareholders (as defined in GEM Listing Rules) of the Company or their respective associates had interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Company.

## **PRE-EMPTIVE RIGHTS**

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

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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

## **CORPORATE GOVERNANCE REPORT**

The Board of Directors ("Board") is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31st December, 2006.

In November 2004, The Stock Exchange of Hong Kong Limited ("Stock Exchange") issued the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Rules") which sets out corporate governance principles ("Principles") and code provisions ("Code Provisions") with which listed issuers are expected to follow and comply.

The Company has applied the Principles as set out in the CG Code that are considered to be relevant to the Company and has complied with most of the Code Provisions set out in the CG Code save for certain deviations, details of which will be explained in the relevant paragraphs in this report.

Good corporate governance has always been recognized as vital to the Group's success and to sustain development of the Group. The Company acknowledges the important role of its Board in providing effective leadership and direction to company business, and ensuring transparency and accountability of company operations. The Company also endeavours to periodically review its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

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.

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*)

Ms. Hui Hongyan

Mr. Tsang Hon Chung

*Non-executive Director*

Mr. Lan Yu Ping

*Independent non-executive directors:*

Mr. Chen Weirong (*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 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 Rules. The Company considers both independent non-executive directors to be independent in accordance with the independence guidelines set out in the GEM 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 2007 annual general meeting.

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 31st December, 2006, 13 Board meetings (four of which were regular Board meetings) and four Audit Committee meetings were held.

The individual attendance record of each director at the meetings of the Board and Audit Committee during the year ended 31st December, 2006 is set out below:

Name of Directors	Attendance/Number of Meetings held during the tenure of directorship	
	Board	Audit Committee
Executive Directors		
– Mr. Chao Pang Fei	12/13	N/A
– Ms. Hui Hongyan	13/13	N/A
– Mr. Tsang Hon Chung	1/13	N/A
Non-Executive Director		
– Mr. Lan Yu Ping	4/13	N/A
Independent Non-Executive Directors		
– Mr. Chen Weirong ( <i>Chairman of Audit Committee</i> )	5/13	4/4
– Mr. Cheng Yun Ming, Matthew ( <i>member of Audit Committee</i> )	7/13	4/4
– Mr. Sin Ka Man ( <i>member of Audit Committee</i> )	10/13	4/4

### 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. During the year ended 31st December, 2006, less than 14 days' notice was given for two regular Board meetings in order to suit the tight and busy schedules of the directors. 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 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.

## **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 Remuneration Committee was established on 1st March, 2007 and no meeting has been held up to the date of this report.

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**

Rule 5.28 of the GEM Rules requires that the Audit Committee must comprise a minimum of three members with a majority of independent non-executive directors and at least one member must have appropriate professional qualifications or accounting or related financial management expertise.

The main duties of the Audit Committee include the following:

- (a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer or external auditors before submission to the Board.
- (b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.
- (c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held four meetings during the year ended 31st December, 2006, to review the financial results and reports, financial reporting and compliance procedures, report on the Company's internal control and risk management review and processes as well as the re-appointment of the external auditors.

There is no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

The Company's annual results for the year ended 31st December, 2006, has been reviewed by the Audit Committee.

## **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 31st December, 2006.

## **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 Rules and other regulatory requirements.

The directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31st December, 2006.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Report of Auditors.

## **AUDITORS’ REMUNERATION**

The remuneration paid to the external auditors of the Company in respect of audit services for the year ended 31st December, 2006 amounted to HK\$170,000.

## **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.

## **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 2006 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 2006 annual general meeting to answer questions at the meeting.

Separate resolutions were proposed at 2006 annual general meeting on each substantial issue, including the election of individual directors.

## **AUDITORS**

The financial statements have been audited by CCIF CPA Limited. A resolution for their re-appointment as the Company's auditors 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, 6th March, 2007

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