THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to what action to take, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other independent professional advisers.

If you have sold or transferred all your securities in Sino Haijing Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

MAJOR TRANSACTION

A letter from the board of directors of the Company is set out on pages 3 to 8 of this circular.

This circular will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for seven days from the date of its publication.

29 January 2007

CHARACTERISTICS OF GEM

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

CONTENT

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	:	the acquisition of the Land under the S&P Agreement
"Board"	:	The board of Directors of the Company
"Company"	:	Sino Haijing Holdings Limited, a limited liability company incorporated in Cayman Islands and the shares of which are listed on GEM
"Consideration"	:	RMB3,398,100, being the amount of money payable by the Purchaser to the Management Committee for the Acquisition
"Director(s)"	:	director(s) of the Company
"GEM"	:	The Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	:	the Rules Governing the Listing of Securities on GEM
"Group"	:	the Company and its subsidiaries
"Hefei Taohua"	:	Hefei Taohua Industrial Base Economic Development Company Limited (合肥桃花工業園經濟發展有限公司)
"Hong Kong"	:	Hong Kong Special Administrative Region of the People's Republic of China
"IBS"	:	acronym for intelligent building system
"Land"	:	a piece of land, situated at the south of Woyun Road, at the west of Yuping Road and at the north of Fongxing Road, Taohua Industrial Base, Hefei Economic and Technological Development Zone, Hefei City, Anhui Province, the PRC, to be acquired under the S&P Agreement
"Latest Practicable Date"	:	26 January 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Management Committee"	:	合肥經濟技術開發區桃花工業園管理委員會 (The Management Committee of Hefei Economic and Technological Development Zone Taohua Industrial Base)
"Purchaser"	:	合肥啟鵬紙製品有限公司 (Hefei Qi Peng Paper Products Company Limited), a wholly owned subsidiary of the Company
"RMB"	:	Renminbi, the lawful currency of the People's Republic of China

"S&P Agreement"	:	the sale and purchase agreement dated 29 December 2006 entered into between the Purchaser and the Management Committee in relation to the Acquisition
"SFO"	:	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	:	ordinary share(s) of HK$0.01 in the share capital of the Company
"Shareholder(s)"	:	holder(s) of the Share(s)
"Stock Exchange"	:	The Stock Exchange of Hong Kong Limited
"Transaction"	:	the Acquisition together with the proposed construction of production plant and purchase of machinery and equipment
"HK$"	:	Hong Kong dollars, the lawful currency of Hong Kong
"%"	:	per cent.

Note: For illustration purpose of this circular, exchange rate of RMB1.00 = HK$0.99 has been used for conversion.

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)

Executive Directors:
Mr. Chao Pang Fei
Ms. Hui Hongyan
Mr. Tsang Hon Chung

Non-executive Director:
Mr. Lan Yu Ping

Independent non-executive Directors:
Mr. Chen Weirong
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, 24th Floor,
Wing On Centre,
111 Connaught Road Central
Hong Kong

29 January 2007

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

INTRODUCTION

On 29 December 2006, the Purchaser, entered into the S&P 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 primary purposes of this circular are to provide you details, among other things, (i) further information on the Acquisition; (ii) the financial information on the Group and (iii) the independent valuation of the Land.

PARTIES

(i) the Purchaser, a wholly owned subsidiary of the Company

(ii) the Management Committee, a government authority responsible for the management of 桃花工業園 (Taohua Industrial Base) of Hefei Economic and Technological Development Zone in Hefei City, Anhui Province of the PRC.

Under the authorisation from Hefei Taohua, which is the legal owner of the land use rights of the Land and a state owned enterprise, the Management Committee entered into the agreement on behalf of Hefei Taohua, Hefei Taohua is a company wholly owned by the Management Committee.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Management Committee, Hefei Taohua and their ultimate beneficial owner are third parties independent of the Company and not connected persons of the Company as defined under the GEM Listing Rules.

THE ACQUISITION

Pursuant to the S&P Agreement, the Purchaser has agreed to purchase and the Management Committee has agreed to sell the land use right of the Land with a total site area of approximately 62 mu (approximately 41,333 square metres) located in Taohua Industrial Base of Hefei Economic and Technological Development Zone in Hefei City, Anhui Province of the PRC. The Land has a tenor of 50 years from the issue of land use right certificate. As at the Latest Practicable Date, the land use right certificate has not been obtained. Details please refer to paragraph "Payment terms" below.

CONSIDERATION

The Consideration payable by the Purchaser pursuant to the S&P Agreement is RMB3,398,100 in cash (equivalent to approximately HK$3.36 million). The Consideration will be funded (i) as to HK$1.01 million from the cash remain from the rights issue as per the announcement of the Company dated 28 December 2005 and (ii) as to HK$2.35 million from the placing as per the announcement of the Company dated 21 September 2006. It was disclosed in the announcement of the Company dated 21 September 2006 that the net proceeds from the placing of approximately HK$5.2 million would be used as to HK$3.5 million as the general working capital of the Group and the balance of HK$1.7 million would be used to pursue other new business opportunities. In order to finance the funding needs of the Transaction, HK$1.5 million out of the HK$3.5 million placing proceeds originally intended to be used as general working capital, together with the HK$1.7 million proceeds intended to pursue other new business opportunities, will be used to finance the Transaction in the way that HK$2.35 million will be used to fund the Acquisition and HK$0.85 million will be used for the construction of production plant and purchase of machinery and equipment as mentioned in the paragraph headed "Reason for the acquisition of the Land" below. The Consideration has been arrived at after arm's length negotiation between the Purchaser and the Management Committee based on normal commercial terms and with reference to the prevailing market value of industrial-use land in the neighbouring area. An independent valuation has been obtained by the Company for the Land at a value of RMB4,000,000 (equivalent to approximately HK$3,960,000) as at 29 December 2006. The Directors, including independent non-executive Directors, are of the view that the terms of the S&P Agreement including the Consideration are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors confirm that the terms and conditions of the S&P Agreement had been negotiated on an arm's length basis and were agreed on normal commercial terms between the parties.

PAYMENT TERMS

The Consideration which represents the total land premium of the Land shall be paid in cash as follows:

(i) 30% of the Consideration will be paid within 10 days from the date of the S&P Agreement;

(ii) 40% of the Consideration will be paid upon handing over of the Land to the Purchaser (which means the completion of the levelling works of the Land with electricity supply, water supply and access roads available); and

(iii) the remaining 30% of the Consideration will be paid at any time after payment of the second installment.

As at the Latest Practicable Date, the Group has paid 30% of the Consideration set out in (i) above.

Upon payment of the Consideration by the Purchaser, the Management Committee will provide assistance to the Purchaser to obtain the land use right certificate from the relevant land authority in the PRC.

The S&P Agreement provides that the Management Committee shall provide assistance to the Purchaser to obtain the relevant land use right certificate within two months after payment of the final installment of the Consideration.

REASON FOR THE ACQUISITION OF THE LAND

The Group is principally engaged in the provision of IBS solutions, including IBS design, supply and installation services, IBS maintenance services and IBS consultancy services. The Group is operating in the IBS industry where intense competition exists and industry players adopt price-cutting strategy in bidding IBS contracts. For the nine months ended 30 September 2006, the Group's turnover was approximately HK$3.86 million, representing a decrease of approximately 72.8% as compared with that for the corresponding period in 2005. Loss attributable to shareholders was approximately HK$4,015,000 as compared with loss of approximately HK$32,000 for the corresponding period in 2005. It has been the Group's intention to develop business in the packaging industry in order to diversify the business risks associated in IBS industry. However, the Directors have no current intention to change its principal business activities in relation to the IBS industry.

The Land will be used for the construction of production plant of the Company for the manufacture of paper products and packaging materials. Apart from the Consideration in relation to the purchase of the Land, 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), which is intended to be financed (i) as to HK$0.85 million from the placing proceed as mentioned in the paragraph headed "Consideration" above; and (ii) as to the remaining HK$7.76 million by banking facilities and, if consider appropriate, further funding raising or shareholder's loan. As at the Latest Practicable Date, the Group has unutilized banking facilities of HK$2 million. Moreover, Haijing Holdings

Limited has given an undertaking to the Company to provide shareholder's loan of not more than HK$12 million to the Company for its funding needs in relation to the Transaction in case that other funding raising exercise cannot be obtained. The estimated capital expenditure was determined with reference to the estimated prices of the machinery required, the estimated area of the production plant and the estimated construction cost per square metre of the production plant. It is expected that the construction of the production plant will be commenced in May 2007 and the operation of the production plant will be commenced in September 2007. As at the Latest Practicable Date, no agreement has been entered with any party in relation to the construction of production plant and purchase of machinery and equipment. Further announcement will be made by the Company for further progress in relation to the construction of production plant and the estimated capital expenditure for the construction of production plant and purchase of machinery and equipment. The Company currently intends to engage independent third parties for the construction of production plant and purchase of machinery and equipment. Should the Company engage its connected persons for such in the future, the Company will comply with the relevant requirements under the GEM Listing Rules.

Mr. Chao Pang Fei, the chairman of the Company, has years of experience in the packaging business and has been the management of an investment company in Shenzhen since 1998 which is engaged in the business of manufacture of packaging materials. Through his working experience, Mr. Chao has developed business connections with large size manufacturers of household electronic appliances which have substantial demand of packaging materials and will be the Group's target customers. To the knowledge of the Directors, a number of large size manufacturers of household electronic appliances will set up or have already set up manufacturing plants in Hefei and these manufacturers usually prefer to purchase packaging materials from suppliers in close proximity to their plants. The prospect of the packaging business is highly related to the prospect of its users' business. In view of the growing demand of household electronic appliances in the PRC, the Directors expect that the establishment of a production plant of packaging materials in Hefei can allow the Group to grasp the demand of packaging materials from these manufacturers and can have a profitable prospect from such business.

PROSPECTS OF THE GROUP

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 and the Transaction sets a first step in this regard. The Directors are of the view that the Transaction will enhance the turnover of the Group.

FINANCIAL EFFECT OF THE TRANSACTION

The Transaction will be funded partly by internal resources of the Group and partly by banking facilities or further fund raising or shareholder's loan. Although banking facilities will incur additional interest expenses for the Group and increase the debt-to-equity ratio of the Group, the Directors consider that the new business of manufacture and sale of paper products and packaging business will have positive effect on the turnover of the Group. Moreover, the cost of the Land and the capital expenditure for the construction of production plant and purchase of machinery and equipment will be capitalised as fixed assets of the Group.

GENERAL

The Transaction constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the approval of the Shareholders. The Directors consider that the terms of the Transaction are fair and reasonable and the Transaction is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the Transaction if a general meeting was to be convened to seek Shareholders' approval for the Transaction. Since (i) the Management Committee; (ii) Hefei Taohua; (iii) their ultimate beneficial owner; (iv) the respective associates of the parties referred to in (i) to (iii) above are not Shareholders and no Shareholder has any material interest in the Transaction, no Shareholder would be required to abstain from voting at the special general meeting of the Company (if one was convened) convened to approve the Transaction. Pursuant to Rule 19.44 of the GEM Listing Rules, the Company has obtained a written approval (in lieu of holding a general meeting of the Company) regarding the Transaction from Haijing Holdings Limited, being the holder of 345,729,000 Shares, representing approximately 51.22% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly no special general meeting of the Company will be convened for the purposes of considering and approving the Transaction.

PROCEDURES TO DEMAND POLL

A resolution put to the vote at a general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands) a poll is duly demanded. A poll may be demanded by:

(a) the chairman of the meeting; or

(b) at least three Shareholders present in person or, in the case of a member being a corporation, by its duly authorised representative(s) or by proxy/proxies and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

(c) any Shareholder or Shareholders present in person or, in the case of a member being a corporation, by its duly authorised representative(s) or by proxy/proxies and representing in the aggregate not less than one-tenth of the total voting rights of all Shareholders having the right to attend and vote at the meeting; or

(d) any Shareholder or Shareholders present in person or, in the case of a member being a corporation, by its duly authorised representative(s) or by proxy/proxies and holding Shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out set out in the appendices to this circular.

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

A. SUMMARY OF FINANCIAL RESULTS OF THE GROUP

The following is a summary of the audited consolidated result, assets and liabilities of the Group for the three years ended 31 December 2005 which are extracted from the respective annual reports of the Company.

	Year ended 31 December		
	2005	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Results			
Turnover	19,428	26,079	23,976
Gross profit	424	4,851	7,590
(Loss)/profit before taxation	(8,744)	118	1,065
(Loss)/profit after taxation	(8,744)	20	703

	As at 31 December		
	2005	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Assets and liabilities			
Total assets	24,451	30,650	26,287
Total liabilities	10,712	7,935	3,592
Total equity	13,739	22,715	22,695

Note: From 1 January 2005, all Hong Kong Statements of Standard Accounting Practice ("HKSSAPs") and interpretations have been withdrawn and replaced by a number of new or revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs"). For the accounting period commencing on 1 January 2005, the Group has adopted the new HKFRSs and the comparatives for the years ended 31 December 2004 and 31 December 2003 have been restated as required. These restated figures have been adopted for the purpose of this summary.

B. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

Set out below are the audited financial statements of the Group together with accompanying notes as extracted from the annual report of the Company for the year ended 31 December 2005:

Consolidated Income Statement
For the year ended 31 December 2005

	Note	**2005** *HK$'000*	**2004** *HK$'000*
TURNOVER	*5*	19,428	26,079
COST OF SALES		(19,004)	(21,228)
GROSS PROFIT		424	4,851
OTHER REVENUE	*5*	257	950
ADMINISTRATIVE AND OTHER OPERATING EXPENSES		(9,270)	(5,516)
(LOSS)/PROFIT FROM OPERATIONS		(8,589)	285
FINANCE COSTS	*6*	(155)	(167)
(LOSS)/PROFIT BEFORE TAXATION	*8*	(8,744)	118
TAXATION	*9*	–	(98)
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	*11*	(8,744)	20
DIVIDENDS	*12*	–	–
(LOSS)/EARNINGS PER SHARE	*13*		
– Basic		(2.3) cents	0.01 cents
– Diluted		N/A	0.01 cents

Consolidated Balance Sheet

At 31 December 2005

	Note	2005 HK$'000	2004 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	688	534
Available-for-sale financial assets	17	767	–
Guaranteed funds	17	–	999
Held-to-maturity debt securities	18	49	49
Retention money receivable		1,224	1,266
		2,728	2,848
Current assets			
Held-to-maturity debt securities	18	–	300
Amount due from ultimate holding company	19	–	4
Tax recoverable		264	359
Prepayment, deposits and other receivables		2,305	4,395
Trade receivables	20	14,404	16,841
Retention money receivable		137	322
Pledged time deposits	21	1,526	1,011
Time deposits		132	131
Cash and bank balances		2,955	4,439
		21,723	27,802
LIABILITIES			
Current liabilities			
Bills payable, unsecured		4,873	340
Trade payables	22	3,002	2,505
Other payables and accruals		918	1,616
Secured bank loan	23	833	2,500
Obligation under finance lease	24	–	45
Amount due to a director	25	1,026	–
Amount due to a related company	25	60	96
		10,712	7,102
Net current assets		11,011	20,700
Total assets less current liabilities		13,739	23,548
Non-current liabilities			
Secured bank loan	23	–	833
NET ASSETS		13,739	22,715
CAPITAL AND RESERVES			
Issued capital	26	3,750	3,750
Reserves		9,989	18,965
		13,739	22,715

Balance Sheet
At 31 December 2005

	Note	2005 HK$'000	2004 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	16	14,126	19,068
Current assets			
Held-to-maturity debt securities	18	–	300
Prepayment		–	100
Cash at bank		84	58
		84	458
LIABILITIES			
Current liabilities			
Amount due to a director	25	29	–
Other payables and accruals		296	126
		325	126
Net current (liabilities)/assets		(241)	332
NET ASSETS		13,885	19,400
CAPITAL AND RESERVES			
Issued capital	26	3,750	3,750
Reserves		10,135	15,650
		13,885	19,400

Consolidated Statements of Changes in Equity
For the year ended 31 December 2005

Group

	Issued capital	Share premium	Capital reserve (a)	Investment revaluation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1/1/ 2004	3,750	8,672	117	–	10,156	22,695
Net profit for the year	–	–	–	–	20	20
At 31/12/ 2004	3,750	8,672	117	–	10,176	22,715
At 1/1/2005	3,750	8,672	117	–	10,176	22,715
Opening adjustment for the adoption of HKAS 39	–	–	–	(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	3,750	8,672	117	(232)	1,432	13,739

Company

	Issued capital	Share premium	Contributed surplus (b)	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1/1/ 2004	3,750	8,672	8,467	(958)	19,931
Net loss for the year	–	–	–	(531)	(531)
At 31/12/ 2004	3,750	8,672	8,467	(1,489)	19,400
At 1/1/2005	3,750	8,672	8,467	(1,489)	19,400
Net loss for the year	–	–	–	(5,515)	(5,515)
At 31/12/ 2005	3,750	8,672	8,467	(7,004)	13,885

Notes:

a) 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.

b) 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. Under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

The Company's reserves as at 31 December 2005 available for distribution to shareholders are approximately HK$1,463,000 (2004: HK$6,978,000).

Consolidated Cash Flow Statement
For the year ended 31 December 2005

	2005	2004
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(8,744)	118
Adjustments for:		
Bank deposits pledged for banking facilities	(515)	1,289
Interest expenses	119	135
Interest income	(18)	(41)
Depreciation	187	235
Loss on disposal of property, plant and equipment	–	60
Bad debts written off	1,678	143
Impairment loss of trade and other receivables	2,837	348
OPERATING (LOSS)/PROFIT BEFORE WORKING CAPITAL CHANGES	(4,456)	2,287
Decrease in amount due from a related company	–	138
Decrease/(increase) in amount due from ultimate holding company	4	(4)
Decrease/(increase) in debtors, deposits and prepayments	239	(6,524)
(Decrease)/increase in creditors and accruals	(201)	821
Increase in amount due to a director	1,026	–
(Decrease)/increase in amount due to a related company	(36)	96
CASH USED IN OPERATIONS	(3,424)	(3,186)
Hong Kong profits tax refunded/(paid)	95	(476)
Interest received	18	41
Interest paid	(119)	(135)
NET CASH USED IN OPERATING ACTIVITIES	(3,430)	(3,756)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales proceeds for investment in held-to-maturity debt securities	300	–
Purchase of property, plant and equipment	(341)	(528)
Payments for investment in guaranteed funds	–	(999)
Payments for investment in held-to-maturity debt securities	–	(349)
NET CASH USED IN INVESTING ACTIVITIES	(41)	(1,876)

	2005	2004
	HK$'000	*HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayment of obligation under finance lease	(45)	(73)
Proceeds from secured bank loan	–	5,000
Repayment of secured bank loan	(2,500)	(1,667)
Increase in bills payable, unsecured	4,533	185
NET CASH GENERATED FROM FINANCING ACTIVITIES	1,988	3,445
DECREASE IN CASH AND CASH EQUIVALENTS	(1,483)	(2,187)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,570	6,757
CASH AND CASH EQUIVALENTS AT END OF YEAR	3,087	4,570
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Time deposits	132	131
Cash and bank balances	2,955	4,439
	3,087	4,570

Notes to the Financial Statements

31 December 2005

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 solutions and sales of electronic equipment.

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 Century Yard, Cricket Square, Hutchins Drive, PO Box 2681 GT, George Town, Grand Cayman, Cayman Islands.

The Company has its primary listing on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

b) BASIS OF CONSOLIDATION

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below.

The consolidated financial statements of the Company have been prepared in accordance with HKFRS.

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of financial statements
HKAS 2	Inventories
HKAS 7	Cash flow statements
HKAS 8	Accounting policies, changes in accounting estimates and errors
HKAS 10	Events after the balance sheet date
HKAS 12	Income taxes
HKAS 14	Segment reporting
HKAS 16	Property, plant and equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee benefits
HKAS 21	The effects of changes in foreign exchange rates
HKAS 23	Borrowing cost
HKAS 24	Related party disclosures
HKAS 27	Consolidated and separate financial statements
HKAS 32	Financial instruments: Disclosure and presentation
HKAS 33	Earnings per share
HKAS 36	Impairment of assets
HKAS 37	Provisions, contingent liabilities and contingent assets
HKAS 39	Financial instruments: Recognition and measurement
HK-Int 15	Operating leases – Incentives
HKFRS 2	Share-based payment
HKFRS 3	Business combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 33, 36, 37, HK-Int 15, HKFRS 2 and HKFRS 3 did not result in substantial changes to the Group's accounting policies. In summary:

– HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 27, 33, 36, 37, HK-Int 15, HKFRS 2 and HKFRS 3 had no material effect on the Group's policies.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of HKAS 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted for at fair value prospectively only to future transactions.

– HKAS 39 – does not permit to recognize, derecognize and measure financial assets and liabilities in accordance with this standard on a retrospective basis.

– HKAS – INT 15 – does not require the recognition of incentives for leases beginning before 1 January 2005.

The following new Standards or Interpretations have been issued but not yet effective for the current accounting periods. The Group has already commenced an assessment of the impact of these new HKFRS but is still not in a position to state whether these new HKFRS would have a significant impact on its results of operations and financial position.

		Effective for accounting period beginning on or after
HKAS 1 (Amendment)	Capital disclosure	1 January 2007
HKAS 19 (Amendment)	Actuarial gains or losses, group plans and disclosures	1 January 2006
HKAS 21 (Amendment)	Net investment in a foreign operation	1 January 2006
HKAS 39 (Amendment)	The fair value option	1 January 2006
HKFRS 7	Financial instruments: disclosures	1 January 2007
HK (IFRIC) – INT 4	Determining whether an arrangement contains a lease	1 January 2006

b) REVENUE RECOGNITION

(i) Revenue from provision of intelligent building system solutions

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 are bundled together in one contract. Revenue from such contracts is recognised when the services are rendered.

(ii) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

(iii) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

c) OTHER INVESTMENTS IN DEBT AND EQUITY SECURITIES

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in securities held for trading are classified as current assets and are initially stated at fair value. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are initially recognised in the balance sheet at fair value plus transaction costs. Subsequently, they are stated in the balance sheet date at amortised cost less impairment losses (see note 2(f)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(f)).

Other investments in securities are classified as available-for-sale securities and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses (see note 2(f)) and, in the case of monetary items such as debt securities, foreign exchange gains and losses of which are recognised directly in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or they expire.

d) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Property, plant and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	20%
Furniture and equipment	20%
Computer	30%
Motor vehicles	30%

e) LEASED ASSETS

i) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement 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 the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in 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.

ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the company or Group will obtain ownership of the asset, the life of the asset, as set out in note 2(d). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(f). Finance charges implicit in the lease payments are charged to income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

f) IMPAIRMENT OF 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; and
- investments in subsidiaries

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

i) 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 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).

ii) Recognition of impairment losses

An impairment loss is recongnised in the income statement 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.

iii) Reversals of impairment losses

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

A reversal of impairment losses 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 the income statement in the year in which the reversals are recognised.

g) SUBSIDIARIES

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

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

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

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.

h) GUARANTEED FUND

Guaranteed fund which was intended to be held until maturity was stated as cost as the amount guaranteed to be returned upon maturity would exceed its cost.

i) RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

j) TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(f)), 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 impairment losses for bad and doubtful debts (see note 2(f)).

k) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

l) CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfil the above criteria.

For the purposes of the cash flow statement, cash equivalents would also include bank overdrafts and advances from banks repayable within three months from the date of the advance.

m) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group 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 expenditures 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.

n) DEFERRED INCOME TAX

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

o) TRANSLATION OF FOREIGN CURRENCIES

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

p) RETIREMENT COSTS

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

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the income statement when incurred.

The Group's contributions to the defined contribution retirement benefit scheme of the subsidiaries outside Hong Kong are expensed as incurred.

The assets of the schemes are held separately from those of the Group in independently administered funds.

q) 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, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

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 inventories, 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 enterprises within a single segment. Intra-segment pricing is based on similar terms as those available to other external parties.

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

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

r) BORROWING COST

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group's exposure to market risk for changes in foreign currency exchange rates relates primarily to certain cash and cash equivalents in currencies other than the functional currency of Hong Kong Dollars.

(b) Credit risk

The Group has no significant concentrations of credit risk. The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(c) 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 approval by the parent company's board of directors when the borrowings exceed certain predetermined levels of authority. 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 reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions, if any, to meet its liquidity requirements in the short and longer term.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

b) Estimated provision for impairment of trade and other receivables

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade receivables and other receivables. Provision are applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

5. TURNOVER AND OTHER REVENUE

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

	2005	**2004**
	HK$'000	*HK$'000*
Turnover		
IBS solutions and sales of goods	19,428	26,079
Other revenue		
Bank interest income	18	41
Bad debts recovered	–	616
Sundry income	239	293
	257	950
Total revenue	19,685	27,029

6. FINANCE COSTS

	2005	**2004**
	HK$'000	*HK$'000*
Bank charges	36	32
Bank loan interest	106	116
Bank overdraft interest	1	2
Interest on finance leases	9	15
Trust receipt loan interest	3	2
	155	167

7. SEGMENT INFORMATION

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

8. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after (crediting)/charging the following:

	2005 *HK$'000*	2004 *HK$'000*
Auditors' remuneration		
– current year	170	190
– under/(over)-provision in previous year	24	(30)
	194	160
Depreciation		
– owned assets	187	205
– assets held under finance lease	–	30
Loss on disposal of property, plant and equipment	–	60
Operating lease charges on rented premises and equipment	156	108
Staff costs (excluding directors' remuneration)		
– basic salaries and other benefits	1,798	2,255
– pension scheme contribution	128	101
Bad debts written off	1,678	143
Impairment loss of trade and other receivables	2,837	348

9. TAXATION

Taxation represents provision for Hong Kong profits tax at the rate of 17.5% on the estimated assessable profits of the companies within the Group operating in Hong Kong for the year.

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

	2005 *HK$'000*	2004 *HK$'000*
(Loss)/profit before taxation	(8,744)	118
Effect of tax at Hong Kong profits tax rate of 17.5%	(1,530)	21
Expenses not deductible for taxation purposes	496	105
Income not subject to taxation	(3)	–
Tax effect of unrecognised accelerated depreciation allowances	–	(28)
Tax losses not recognised	1,037	–
	–	98

10. DEFERRED TAXATION

There was no significant unprovided deferred tax assets and liabilities in both years.

11. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS

The consolidated (loss)/profit for the year attributable to shareholders includes a loss of approximately of HK$5,515,000 (2004: loss of HK$531,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2005 (2004: Nil).

13. (LOSS)/EARNINGS PER SHARE

The calculation of (loss)/earnings per share for the year is based on the following data:

	2005	**2004**
	HK$'000	*HK$'000*
(Loss)/profit for the year attributable to shareholders	(8,744)	20

	Number of shares	
	2005	**2004**
Weighted average number of shares for the purposes of calculating basic earnings per share	375,000,000	375,000,000
Effect of dilutive potential ordinary shares – share options	–	6,255,234
Weighted average number of shares for the purposes of calculating diluted earnings per share	375,000,000	381,255,234

The calculation of basic earnings per shares for the years ended 31 December 2005 and 2004 are based on the Group's loss and profit for the year attributable to shareholders and 375,000,000 shares in issue throughout the years ended 31 December 2005 and 2004 respectively.

Diluted loss per share is not presented for the year ended 31 December 2005 as there was no dilutive potential share in existence in the year. Diluted earnings per share for the year ended 31 December 2004 was based on weighted average number of 381,255,234 shares in issue during the year.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

i) Details of emoluments (excluding share option benefit) of every director are shown below:

Year ended 31 December 2005

Name of director	*Note*	**Fees** *HK$'000*	**Basic salaries, allowance and other benefits** *HK$'000*	**Pension scheme contribution** *HK$'000*	**Total** *HK$'000*
Chao Pang Fei	*1*	36	–	–	36
Tsang Hon Chung		60	547	14	621
Hui Hong Yan	*1*	18	–	–	18
Lam Yew Kai	*2*	–	112	6	118
Tsang Hon Ming	*2*	–	–	–	–
Lan Yu Ping	*1*	18	–	–	18
Wong Mau Fa	*2*	12	–	–	12
Lai Ka Kit	*4*	30	–	–	30
Chen Wei Rong	*3*	8	–	–	8
Cheng Yun Ming, Matthew	*3*	8	–	–	8
Sin Ka Man	*3*	8	–	–	8
Liu Pui Ming	*2*	7	–	–	7
Koo Cheuk On, Timmie	*2*	21	–	–	21
Lam Ying Hung, Andy	*2*	31	–	–	31
		257	659	20	936

Note:

1) Appointed on 13 September 2005

2) Resigned on 11 November 2005

3) Appointed on 11 November 2005

4) Resigned on 30 May 2005

Year ended 31 December 2004

Name of director	*Note*	**Fees**	**Basic salaries, allowance and other benefits**	**Pension scheme contribution**	**Total**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tsang Hon Chung		–	674	12	686
Lam Yew Kai		–	252	10	262
Tsang Hon Ming		–	21	–	21
Wong Mau Fa		30	–	–	30
Lai Ka Kit	*1*	35	–	–	35
Fong Yick Jin, Eugene	*2*	45	–	–	45
Liu Pui Ming		21	–	–	21
Koo Cheuk On, Timmie	*3*	6	–	–	6
Lam Ying Hung, Andy	*4*	9	–	–	9
		146	947	22	1,115

Note:

1) Appointed on 12 January 2004

2) Resigned on 1 October 2004

3) Appointed on 28 September 2004

4) Appointed on 1 October 2004

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

	2005	**2004**
	HK$'000	*HK$'000*
Basic salaries, allowances and other benefits	1,173	1,496
Pension scheme contributions	38	49
	1,211	1,545

	2005	**2004**
Number of directors	2	2
Number of employees	3	3
	5	5

During the year, no emoluments were paid 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.

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

	2005	**2004**
HK$Nil to HK$1,000,000	5	5

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	**Computer**	**Furniture and equipment**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1/1/2004	276	359	235	300	1,170
Additions	504	4	20	–	528
Disposals	(276)	–	–	–	(276)
At 31/12/2004	504	363	255	300	1,422
Accumulated depreciation					
At 1/1/2004	216	252	131	270	869
Charge for the year	101	70	34	30	235
Disposals	(216)	–	–	–	(216)
At 31/12/2004	101	322	165	300	888
Net book value					
At 31/12/2004	403	41	90	–	534
Cost					
At 1/1/2005	504	363	255	300	1,422
Additions	178	100	63	–	341
At 31/12/2005	682	463	318	300	1,763
Accumulated depreciation					
At 1/1/2005	101	322	165	300	888
Charge for the year	104	48	35	–	187
At 31/12/2005	205	370	200	300	1,075
Net book value					
At 31/12/2005	477	93	118	–	688

16. INTERESTS IN SUBSIDIARIES

	Company 2005 HK$'000	2004 HK$'000
Unlisted shares, at cost	8,687	8,677
Amount due from a subsidiary	10,337	10,391
Amount due to a subsidiary	(490)	–
	18,534	19,068
Less: Impairment loss	(4,408)	–
	14,126	19,068

The amount due is unsecured, non-interest bearing and has no fixed terms of repayment.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name	Country/ place of incorporation/ establishment	Country/ place of operation	Principal activities	Issued and fully paid share capital	Interests held Directly	Indirectly
Loyal Pacific International Limited	Hong Kong	Hong Kong	Inactive	HK$10,000	100%	–
Innovis (IB) Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	100%	–
Innovis Technology Limited	Hong Kong	Hong Kong	Provision of intelligent building system solutions and sales of electronic equipment	HK$326,666	–	100%

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS/GUARANTEED FUND

	2005	**2004**
	HK$'000	*HK$'000*
Unlisted:		
Available-for-sale financial assets, at fair value (2004: Guaranteed funds in Hong Kong, at cost)	767	999
Fair value	767	888

18. HELD-TO-MATURITY DEBT SECURITIES

	The Group		**The Company**	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted debt securities in Hong Kong, at cost	49	349	–	300
Fair value	49	349	–	300

The analysis of the above is as follows:

Current	–	300	–	300
Non-current	49	49	–	–
	49	349	–	300

19. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount due is unsecured, non-interest bearing and has no fixed terms of repayment.

20. TRADE RECEIVABLES

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

	2005	**2004**
	HK$'000	*HK$'000*
Within 3 months	7,081	8,892
Over 3 months but within 6 months	1,740	1,300
Over 6 months but within 1 year	1,261	5,822
Over 1 year	4,322	827
	14,404	16,841

21. PLEDGED TIME DEPOSITS

The deposits have been pledged to the banks to secure general banking facilities granted to the Group. For more details, refer to note 30.

22. TRADE PAYABLES

The following is an aging analysis of trade payables:

	2005	**2004**
	HK$'000	*HK$'000*
Within 3 months	1,483	1,687
Over 3 months but within 6 months	548	377
Over 6 months but within 1 year	134	441
over 1 year	837	–
	3,002	2,505

23. SECURED BANK LOAN

	2005	**2004**
	HK$'000	*HK$'000*
Principal outstanding	833	3,333
Less: Amount repayable within one year (shown under current liabilities)	833	2,500
Amount repayable after one year but within five years (shown under non-current liabilities)	–	833

For more details, refer to note 30.

24. OBLIGATION UNDER FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable under finance lease				
– Within one year	–	54	–	45
– After one year but within five years	–	–	–	–
	–	54	–	45
Less: Future finance charges	–	9	–	–
Present value of lease obligation	–	45	–	45
Amount due for settlement within twelve months (shown under current liabilities)			–	45
Amount due for settlement after twelve months (shown under non-current liabilities)			–	–

The term of the lease is four years and the lease is on a fixed repayment basis.

25. AMOUNT DUE TO A DIRECTOR/RELATED COMPANY

The amount due is unsecured, non-interest bearing and has no fixed terms of repayment.

26. SHARE CAPITAL

	2005	**2004**
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each	100,000	100,000
Issued and fully paid:		
375,000,000 ordinary shares of HK$0.01 each	3,750	3,750

27. SHARE OPTION SCHEME

All Pre-IPO share options were cancelled on 3 October 2005 immediately upon the closing of mandatory unconditional cash offer by Haijing Holdings Limited.

28. RETIREMENT BENEFIT COSTS

The Group operates a mandatory provident fund scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The total expense recognised in the income statement of HK$128,000 (2004: HK$101,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

29. RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant transactions with related parties:

a) Related party transactions included in the income statement:

	2005	2004
	HK$'000	*HK$'000*
Reimbursement of office rentals, utilities and certain administrative expenses from Wah Lam Building Materials Limited ("WLBM")	(106)	(224)
Office rentals, utilities and certain administrative expenses paid to WLBM	278	458

Mr. Tsang Hon Chung, Mr. Lam Yew Kai and Mr. Tsang Hon Ming, the directors of the Company, are directors and beneficial shareholders of WLBM. Ms. Wong Mau Fa, the director of the Company, also has beneficial interests in WLBM.

b) Related party transactions included in the balance sheet:

	2005	2004
	HK$'000	*HK$'000*
Current account balance with WLBM	60	96

c) Compensation of key management personnel of the Group

	2005	2004
	HK$'000	*HK$'000*
Short-term employee benefits	607	674
Post-employment benefits	14	12
	621	686

Further details of post-employment benefits and directors' emoluments are included in note 14 to the financial statements.

30. BANKING FACILITIES

As at 31 December 2005, the Group's banking facilities to the extent of HK$7,250,000 (2004: HK$9,333,000) were secured by:

(i) Corporate guarantee put up by the Company; and

(ii) Time deposits of the Group *(Note 21)*.

31. OPERATING LEASE ARRANGEMENTS – AS LESSEE

The Group leases certain of its office premises under operating lease arrangements. Leases for office premises are negotiated for a lease term of 3 years. 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 lease with its lessee falling due as follows:

	2005	**2004**
	HK$'000	*HK$'000*
Within one year	381	–
In the second to fifth years, inclusive	647	–
	1,028	–

32. ULTIMATE HOLDING COMPANY AND CONTROLLING PARTY

As at 31 December 2005, 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.

33. POST BALANCE SHEET EVENTS

On 9 February 2006, the Company issued 187,500,000 ordinary shares of HK$0.01 each by way of rights issue at an issue price of HK$0.02 per rights share in the proportion of one rights share for every two existing shares held on the record date.

34. COMPARATIVE FIGURES

Certain items in the financial statements were reclassified as a result of the changes in accounting policies. Accordingly, certain comparative figures have been reclassified to conform with the current year's presentation.

C. UNAUDITED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2006

The information in this section C has been extracted from the published unaudited interim financial information of the Group for the three months and six months ended 30 June 2006:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June		**Three months ended 30 June**	
		2006	**2005**	**2006**	**2005**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	*2*	3,148	8,327	720	3,847
Cost of sales		(3,343)	(6,470)	(1,827)	(2,113)
Gross (loss)/profit		(195)	1,857	(1,107)	1,734
Other income		56	76	27	42
Administrative and other operating expenses		(2,333)	(2,117)	(1,192)	(1,251)
Operating loss		(2,472)	(184)	(2,272)	525
Finance costs		(36)	(92)	(3)	(51)
Loss before taxation	*4*	(2,508)	(276)	(2,275)	474
Taxation	*5*	(3)	–	(3)	–
Loss attributable to shareholders		(2,511)	(276)	(2,278)	474
Dividend	*6*	–	–	–	–
(Loss)/Earnings per share – Basic	*7*	(0.48) cent	(0.07) cent	(0.43) cent	0.13 cent

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2006 HK$'000 (Unaudited)	As at 31 December 2005 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8	658	688
Available-for-sale financial assets		753	767
Held-to-maturity debt securities		49	49
Retention money receivable		1,224	1,224
		2,684	2,728
Current assets			
Tax recoverable		–	264
Prepayment, deposits and other receivables		2,312	2,305
Trade receivables	9	6,542	14,404
Retention money receivable		137	137
Pledged time deposits		2,347	1,526
Time deposits		2,236	132
Cash and bank balances		1,043	2,955
		14,617	21,723
LIABILITIES			
Current liabilities			
Bills payable, unsecured		–	4,873
Trade payables	10	1,456	3,002
Other payables and accruals		807	918
Secured bank loan		–	833
Amount due to a director	11	–	1,026
Amount due to a related company	11	139	60
		2,402	10,712
Net current assets		12,215	11,011
NET ASSETS		14,899	13,739
CAPITAL AND RESERVES			
Issued capital	12	5,625	3,750
Reserves		9,274	9,989
		14,899	13,739

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2006	**2005**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash inflow/(outflow) from operating activities	2,213	(2,621)
Net cash outflow from investing activities	–	(38)
Net cash outflow from financing activities	(2,021)	(913)
Increase/(decrease) in cash and cash equivalents	192	(3,572)
Cash and cash equivalents at the beginning of the period	3,087	4,570
Cash and cash equivalents at the end of the period	3,279	998
Analysis of the balances of cash and cash equivalents		
Time deposits	2,236	631
Cash and bank balances	1,043	367
	3,279	998

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Issued capital	Share premium	Capital reserve(s)	Investment revaluation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1/1/2005	3,750	8,672	117	–	10,176	22,715
Opening adjustment for the adoption of HKAS 39	–	–	–	(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 *(Audited)*	3,750	8,672	117	(232)	1,432	13,739
At 1/1/2006	3,750	8,672	117	(232)	1,432	13,739
Rights issue	1,875	–	–	–	–	1,875
Premium on rights issue	–	1,875	–	–	–	1,875
Issuing expense for rights issue	–	(65)	–	–	–	(65)
Fair value loss on available-for-sale financial assets	–	–	–	(14)	–	(14)
Loss for the period	–	–	–	–	(2,511)	(2,511)
	5,625	10,482	117	(246)	(1,079)	14,899

Notes:

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements for the period ended 30 June 2006 (the "Period") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include 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 Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules").

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, except for the available-for-sale financial assets that have been measured at fair value. The principal accounting policies and method of computations use in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group's financial statements for the year ended 31 December 2005.

The Group has adopted the following standards that have been issued and effective for the periods beginning on or after 1 January 2006. The adoption of such standards did not have material effect on these financial statements.

HKAS 19 (Amendment)	Actuarial gains or losses, group plans and disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	The Fair Value Option

The Group has not early adopted the following standards that have been issued but not yet effective. The adoption of such standards will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments – Disclosures

The Group's unaudited condensed consolidated interim results has not been audited by the Company's auditors but has been reviewed by the Company's Audit Committee.

2. Turnover and revenue

The Group is principally engaged in investment holding, provision of Intelligent Building Systems (IBS) solutions and maintenance.

Turnover for the period ended 30 June 2005 and 2006 represented revenue recognised in respect of IBS solutions and maintenance. An analysis of the Group's turnover and other major revenue is set out below:–

	Six months ended 30 June		**Three months ended 30 June**	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover:				
IBS solutions, and maintenance	3,148	8,327	720	3,847
Interest income	56	6	27	6
Total revenue	3,204	8,333	747	3,853

3. Segment information

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

4. Loss before taxation

Loss before taxation is arrived at after charging:–

	Six months ended 30 June		Three months ended 30 June	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Auditors' remuneration	90	24	90	24
Cost of materials used	1,909	3,960	712	985
Depreciation	30	107	30	107
Staff costs	1,198	1,116	557	667
Minimum lease payments under operating leases	–	54	–	54
Research and development costs	–	300	–	170
Interest expenses on borrowings	36	61	3	30
Finance lease interest	–	9	–	7

5. Taxation

No provision for Hong Kong profits tax has been made in the accounts as the Group does not have any assessable profit for the period presented (2005: Nil).

6. Dividend

For the six months ended 30 June 2006, the Board does not recommend the payment of an interim dividend.

7. (Loss)/Earnings per share

(Loss)/Earnings per share are calculated based on the following figures:–

	Six months ended 30 June		Three months ended 30 June	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
The Group's consolidated loss attributable to shareholders	(2,511)	(276)	(2,278)	474
Weighted average number of shares – Basic	522,099,448	375,000,000	522,099,448	375,000,000
(Loss)/Earnings per share – Basic	(0.48) cent	(0.07) cent	(0.43) cent	0.13 cent

8. Property, plant and equipment

	Leasehold improvements *HK$'000*	Computers *HK$'000*	Furniture & equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost:					
At 1 January 2006	682	463	318	300	1,763
Additions	–	–	–	–	–
At 30 June 2006	682	463	318	300	1,763
Aggregate depreciation:					
At 1 January 2006	205	370	200	300	1,075
Charge for the period	18	6	6	–	30
At 30 June 2006	223	376	206	300	1,105
Net book value:					
At 30 June 2006 *(Unaudited)*	459	87	112	–	658
At 31 December 2005 *(Audited)*	477	93	118	–	688

9. Trade Receivables

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

	As at 30 June 2006 HK$'000 (Unaudited)	As at 31 December 2005 HK$'000 (Audited)
Within 3 months	290	7,081
Over 3 months but within 6 months	445	1,740
Over 6 months but within 1 year	1,310	1,261
Over 1 year	4,497	4,322
	6,542	14,404

10. Trade payables

Details of the aging analysis of trade payables are as follows:–

	As at 30 June 2006 HK$'000 (Unaudited)	As at 31 December 2005 HK$'000 (Audited)
Within 3 months	84	1,483
Over 3 months but within 6 months	127	548
Over 6 months but within 1 year	607	134
Over 1 year	638	837
	1,456	3,002

11. Amount due to a director/a related company

The amounts are interest-free, unsecured and repayable on demand.

12. Share capital

	HK$'000
Authorised:	
As at 31 December 2005	
– 10,000,000,000 ordinary shares of HK$0.01 each *(Audited)*	100,000
As at 30 June 2006	
– 10,000,000,000 ordinary shares of HK$0.01 each *(Unaudited)*	100,000
Issued and fully paid:	
As at 31 December 2005	
– 375,000,000 ordinary shares of HK$0.01 each *(Audited)*	3,750
As at 30 June 2006	
– 562,500,000 ordinary shares of HK$0.01 each *(Unaudited)*	5,625

D. UNAUDITED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

The information in this section D has been extracted from the published unaudited third quarterly result of the Group for the nine months ended 30 September 2006:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Nine months ended 30 September 2006 HK$'000	Nine months ended 30 September 2005 HK$'000	Three months ended 30 September 2006 HK$'000	Three months ended 30 September 2005 HK$'000
Turnover	2	3,857	14,181	709	5,854
Cost of sales		(4,199)	(10,980)	(855)	(4,510)
Gross profit		(342)	3,201	(146)	1,344
Other income		210	334	153	258
Administrative and other operating expenses		(3,844)	(3,387)	(1,511)	(1,270)
Operating (loss)/profit		(3,976)	148	(1,504)	332
Finance costs		(36)	(100)	–	(8)
(Loss)/Profit before taxation		(4,012)	48	(1,504)	324
Taxation	3	(3)	(80)	–	(80)
(Loss)/Profit attributable to shareholders		(4,015)	(32)	(1,504)	244
Dividend	4	–	–	–	–
(Loss)/Earnings per share – Basic	5	(0.75) cents	(0.01) cents	0.28 cents	0.07 cents

Notes:

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements for the period ended 30 September 2006 (the "Period") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include 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 Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules").

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, except for the available-for-sale financial assets that have been measured at fair value. The principal accounting policies and method of computations use in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group's financial statements for the year ended 31 December 2005.

The Group has adopted the following standards that have been issued and effective for the periods beginning on or after 1 January 2006. The adoption of such standards did not have material effect on these financial statements.

HKAS 19 (Amendment)	Actuarial gains or losses, group plans and disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	The Fair Value Option

The Group has not early adopted the following standards that have been issued but not yet effective. The adoption of such standards will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments – Disclosures

The Group's unaudited condensed consolidated quarterly results has not been audited by the Company's auditors but has been reviewed by the Company's Audit Committee.

2. Turnover and revenue

The Group is principally engaged in investment holding, provision of Intelligent Building Systems (IBS) Solutions and the sales of electronic equipment.

Turnover for the period ended 30 September 2005 and 2006 represented revenue recognised from the provision of IBS solutions and maintenance, building contracting and the net invoiced value of goods sold. An analysis of the Group's turnover and other major revenue is set out below:

	Nine months ended 30 September 2006 *HK$'000* (unaudited)	**Nine months ended 30 September 2005** *HK$'000* (unaudited)	**Three months ended 30 September 2006** *HK$'000* (unaudited)	**Three months ended 30 September 2005** *HK$'000* (unaudited)
IBS solutions and maintenance, building contracting services and sales of goods	3,857	14,181	709	5,854
Interest income	97	11	41	5
	3,954	14,192	750	5,859

3. Taxation

No provision for Hong Kong profits tax has been made in the account as the Group does not have any assessable profit for the period presented (2005: Nil).

4. Dividend

For the nine months ended 30 September 2006, the Board does not recommend the payment of a dividend (2005: Nil).

5. (Loss)/Earnings per share

(Loss)/Earnings per share for the three months and nine months ended 30 September 2006 and for the corresponding period in 2005 was calculated based on the following figures:

	Nine months ended 30 September 2006 *HK$'000* (unaudited)	**Nine months ended 30 September 2005** *HK$'000* (unaudited)	**Three months ended 30 September 2006** *HK$'000* (unaudited)	**Three months ended 30 September 2005** *HK$'000* (unaudited)
Unaudited consolidated (loss)/profit attributable to shareholders	(4,015)	(32)	(1,504)	244
Weighted average number of shares – Basic	535,714,286	375,000,000	535,714,286	375,000,000
(Loss)/Earnings per share – Basic	(0.75) cents	(0.01) cent	(0.28) cents	0.07 cent

6. Reserves

Movements of reserves for the nine months ended 30 September 2006

	Issued capital *HK$'000*	**Share premium** *HK$'000*	**Capital reserve(s)** *HK$'000*	**Investment revaluation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 1/1/2005	3,750	8,672	117	–	10,176	22,715
Opening adjustment for the adoption of HKAS 39	–	–	–	(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 *(Audited)*	3,750	8,672	117	(232)	1,432	13,739
At 1/1/2006	3,750	8,672	117	(232)	1,432	13,739
Rights issue	1,875	–	–	–	–	1,875
Premium on rights issue	–	1,875	–	–	–	1,875
Issuing expense for rights issue	–	(65)	–	–	–	(65)
Fair value loss on available-for-sale financial assets	–	–	–	46	–	46
Loss for the period	–	–	–	–	(4,015)	(4,015)
At 30/9/2006 *(Unaudited)*	5,625	10,482	117	186	(2,583)	13,455

E. INDEBTEDNESS

As at 31 December 2006, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had no outstanding bank borrowings. As at 31 December 2006, the Group's unutilised banking facilities to the extent of HK$5,000,000 were secured by: (i) Corporate guarantee put up by the Company; and (ii) Time deposits of the Group. As at the Latest Practicable Date, the Group's banking facilities were reduced by its bank to HK$2,000,000, which were still unutilised.

Saved as disclosed above and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures or other loan capital, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, acceptances credits, hire purchase or their finance lease commitments, guarantees or other material contingent liabilities, at the close of business on 31 December 2006.

As at the Latest Practicable Date, the Directors were not aware of any material change in respect of the indebtedness or other contingent liabilities of the Group since 31 December 2006.

F. WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseen circumstances and after taking into account the financial resources including its internally generated funds, existing banking facilities and a shareholder's loan to be provided by Haijing Holdings Limited, the controlling shareholder of the Company, the Group will have sufficient working capital to satisfy its present requirements and the requirements in the next 12 months. Haijing Holdings Limited has given an undertaking to the Company to provide shareholder's loan of not more than HK$12 million to the Company for its funding needs in relation to the Transaction in case that other funding raising exercise cannot be obtained.

G. MATERIAL ADVERSE CHANGE

Save for the losses incurred by the Group of approximately HK$4 million for the nine months ended 30 September 2006, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2005, being the date to which the latest published audited consolidated financial statements of the Group were made up.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED ASSETS AND LIABILITIES OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, assuming that the Transaction has been completed on 30 June 2006 for the purpose of illustrating how the Transaction might have affected the assets and liabilities of the Group. As it is prepared for illustrative purpose only, and because of its nature, it may not purport to represent what the assets and liabilities of the Group are on the completion of the Transaction.

The unaudited pro forma statement of adjusted combined assets and liabilities of the Group is prepared upon the consolidated balance sheet of the Group as at 30 June 2006 in the latest published Interim Report of the Group after giving effect to the pro forma adjustment described in the accompanying notes.

	The Group as at 30 June 2006 (Unaudited) *HK$'000*	**Pro forma Adjustment** *(Note 1)* *HK$'000*	**Pro forma Adjusted after the Transaction** *HK$'000*
NON-CURRENT ASSETS			
Land use rights	–	3,360	3,360
Property, plant and equipment	658	8,610	9,268
Available-for-sale financial assets	753		753
Held-to-maturity debt securities	49		49
Retention money receivable	1,224		1,224
	2,684		14,654
CURRENT ASSETS			
Prepayment, deposits and other receivables	2,312		2,312
Trade receivables	6,542		6,542
Retention money receivable	137		137
Pledged time deposits	2,347		2,347
Time deposits	2,236		2,236
Cash and bank balances	1,043	(11,970)	(10,927)
	14,617		2,647
CURRENT LIABILITIES			
Trade payables	1,456		1,456
Other payables and accruals	807		807
Amount due to a related company	139		139
	2,402		2,402
NET CURRENT ASSETS	12,215		245
TOTAL ASSETS LESS CURRENT LIABILITIES	14,899		14,899
CAPITAL AND RESERVES			
Share capital *(Note 2)*	5,625		5,625
Reserves	9,274		9,274
TOTAL SHAREHOLDERS FUNDS	14,899		14,899

Notes:

1. The adjustment is made to illustrate the effect of acquisition of a land use right on a piece of industrial land located in Hefei City, Anhui Province, the PRC at the consideration of the RMB3,398,100 (equivalent to approximately HK$3.36 million) and the capital expenditure for the construction of production plant and purchase of machinery and equipment estimated to be about RMB$8.7 million (equivalent to approximately HK$8.61 million).

2. The placing of new shares was completed on 6 October 2006 where a total of 112,500,000 placing shares at a price of HK$0.048 per share were placed out. Upon completion of the placing, the gross proceeds from the placing were approximately HK$5,400,000 and the net proceeds from the placing were approximately HK$5,200,000. HK$3.2 million placing proceeds will be used to finance the Transaction.

3. Haijing Holdings Limited, the controlling shareholder of the Company, has given an undertaking to the Company to provide shareholder's loan of not more than HK$12 million to the Company for its funding needs in relation to the Transaction in case that other funding raising exercise cannot be obtained.

The following is the full text of a letter received from CCIF CPA Limited, Certified Public Accountants, for the purpose of incorporation in this Circular.

CCIF

CCIF CPA LIMITED

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

29 January 2007

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF SINO HAIJING HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Sino Haijing Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the acquisition of a land use right on a piece of industrial land located in the People's Republic of China together with the proposed construction of production plant and purchase of machinery and equipment (the "Transaction") might have affected the financial information presented, for inclusion as Appendix 2 to the circular of Sino Haijing Holdings Limited dated 25 January 2007 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page 53 to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31 (1) of the GEM Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2006 or any future date.

OPINION

In our opinion:

a. the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31 (1) of the GEM Rules.

CCIF CPA Limited
Certified Public Accountants
Hong Kong,

Kwok Cheuk Yuen
Practising Certificate Number P02412

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation of the property located in the PRC to be acquired by the Group.

Asset Appraisal Limited
資產評值有限公司

Add Rm1303 13/F Beverly House
No. 93-107 Lockhart Road Wanchai HK
地址 香港灣仔駱克道93-107號13字樓1303室
Tel (852) 2529 9448
Tel (852) 3521 9591

29 January 2007

The Directors
Sino Haijing Holdings Limited
Room 2412 on 24th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

Dear Sirs,

Re: Valuation of a Parcel of Industrial Land at the south of Woyun Road, at the west of Yuping Road and at the north of Fongxing Road, Taohua Industrial Base, Hefei Economic and Technological Development Zone, Hefei City, Anhui Province, the People's Republic of China (the "PRC")

In accordance with the instructions from **Sino Haijing Holdings Limited** (referred to as "the Company") for us to assess the market value of the captioned property (hereinafter referred to as "the Property") to be acquired by the Company or its subsidiaries (the Company and its subsidiaries are together referred to as the "Group") as at 29th December 2006 (referred to as "the valuation date"), we confirm that we have inspected the Property, made relevant enquiries and obtained such information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property.

Basis of Valuation

Our valuation of the property represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

Valuation Methodology

In valuing the Property, the direct comparison method is adopted where comparison based on price information of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

Limiting Conditions

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. Our valuation have been made on the assumption that the seller sells the Property on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the Property.

In valuing the Property, we have complied with all the requirements contained in Chapter 8 of the GEM Listing Rules; the RICS Appraisal and Valuation Standards (5th Edition) published by The Royal Institution of Chartered Surveyors and effective from May 2003; and the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1st January 2005.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been provided with a copy of a sale and purchase agreement entered into between the Management Committee of Hefei Economic and Technological Development Zone Taohua Industrial Base (合肥經濟技術開發區桃花工業園管理委員會) ("Party A") and Hefei Qi Peng Paper Products Company Limited (合肥啟鵬紙製品有限公司) ("Party B") a wholly-owned subsidiary of the Company. However, we have not examined the original documents to verify the titles to the Property and any material encumbrances that might be attached to it. We have relied considerably on the advice given by the Company's PRC legal adviser – Auhui Hesen Law Office (安徽禾森律師事務所), concerning the validity of the titles to the Property.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the Property but have assumed that the site area shown on the documents handed to us is correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have carried out inspection of the Property. However, we must point out that we have not carried out site investigations to determine the suitability of the ground conditions or the services for the Property. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

All monetary sums stated in this report are in Renminbi (RMB).

Our valuation certificate is attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Ltd.
Sandra Lau
MFin MHKIS AAPI RPS(GP)
Director

Sandra Lau is a member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice. She is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

VALUATION CERTIFICATE

PROPERTY TO BE ACQUIRED BY THE GROUP FOR FUTURE DEVELOPMENT

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 29th December 2006 *RMB*
A parcel of industrial land at the south of Woyun Road, at the west of Yuping Road and at the north of Fongxing Road, Taohua Industrial Base Hefei Economic and Technological Development Zone, Hefei City, Anhui Province, the PRC	The Property comprises a parcel unformed industrial land with an area of 41,333.54 square metres. As per our site inspection, the land parcel has been vacated and cleared. Site formation and infrastructure work for the Property is currently in progress. The Property is intended to be demised for a land use right term of 50 years commencing on the date of the Land Use Rights Certificate to be issued to the purchaser in due course.	As confirmed by the Company, the property is in vacant possession.	RMB4,000,000 RENMINBI FOUR MILLION ONLY

Notes:

1. As stated in a Sale and Purchase Agreement dated 29 December 2006 entered into between the Management Committee Hefei Economic and Technological Development Zone of Taohua Industrial Base (合肥經濟技術開發區桃花工業園管理委員會) (Party A) and Hefei Qi Peng Paper Products Company Limited (合肥啟鵬紙製品有限公司) (Party B) a wholly owned subsidiary of the Company, Party A is intended to assign and Party B is intended to acquired the land use rights in the Property for a term of 50 years commencing on the date of the Land Use Rights Certificate to be issued to Party B in due course upon completion of the property transfer.

2. As mentioned in the said Sale and Purchase Agreement, the Property is designated for industrial use.

3. Site formation and infrastructural work for the Property is in progress. As provided in the said Agreement, the Property shall be delivered to Party B by Party A by end of May 2007.

4. We have been provided with a legal opinion regarding the Property by the Company's PRC legal advisers, which contains, *inter alia*, the followings:

   (i) The Property is a parcel of State-owned land within the boundary of Hefei Taohua Industrial Base Economic Development Company Limited Red Line Drawing (合肥桃花工業園經濟發展有限公司紅綫圖) retained in the Land Resource Administrative Bureau;

   (ii) The Property is not a parcel of administrative allocated land;

   (iii) The town planning use of the Property is Industrial;

(iv) The land use rights in the Property are held by Hefei Taohua Industrial Base Economic Development Company Limited and can be freely transferred by it to any third party. Hefei Taohua Industrial Base Economic Development Company Limited is wholly-owned by the Management Committee of Hefei Economic and Technological Development Zone Taohua Industrial Base;

(v) The authorization letter issued by Hefei Taohua Industrial Base Economic Development Company Limited authorizing the Management Committee of Hefei Economic and Technological Development Zone Taohua Industrial Base to execute land transfer agreement with Hefei Qi Peng Paper Products Company Limited is legal and valid;

(vi) The sale and purchase agreement dated 29 December 2006 entered into between the Management Committee of Hefei Economic and Technological Development Zone Taohua Industrial Base (Party A) and Hefei Qi Peng Paper Products Company Limited (Party B) is legally valid and the land use rights transferred from Party A to Party B shall last for 50 years from the registration of the Land Certificate of the Property;

(vii) The Management Committee of Hefei Economic and Technological Development Zone Taohua Industrial Base has been authorized by the People's Government of Feixi County Hefei City (合肥市肥西縣人民政府) and Hefei Taohua Industrial Base Economic Development Company Limited to dispose the Property on the market;

(viii) Upon full payment of land premium from Hefei Qi Peng Paper Products Company Limited to Hefei Taohua Industrial Base Economic Development Company Limited and the handing over of the Land (after completion of Site formation and servicing work by the Management Committee of Hefei Economic and Technological Development Zone Taohua Industrial Base) from Hefei Taohua Industrial Base Economic Development Company Limited to Hefei Qi Peng Paper Products Company Limited by the end of May of 2007, the land use rights acquired by Hefei Qi Peng Paper Products Company Limited shall be protected by law;

(ix) After the acquisition of the land use rights in the Property, Hefei Qi Peng Paper Products Company Limited's interests in land shall be free from any legal impediment and land premium payment;

(x) The Property is currently free from any encumbrance. The land use rights in the Property to be acquired by Hefei Qi Peng Paper Products Company Limited are free from any legal impediment and additional Land premium (save from land transaction taxes and levies);

(xi) Upon obtaining Land Use Certificate and subject to the permitted land use, Hefei Qi Peng Paper Products Company Limited is allowed to lease, assign and mortgage the Property.

1. RESPONSIBILITY STATEMENT

This circular, 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:

(a) the information contained in this circular is accurate and complete in all material respects and is not misleading;

(b) there are no other matters the omission of which would make any statement in this circular misleading; and

(c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, 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 position in the Shares

Name of Director	Type of interests	Number of securities	Approximate percentage of shareholding
Mr. Chao Pang Fei ("Mr. Chao")	Interest of a controlled corporation	345,729,000 Shares *(Note)*	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 held by Haijing pursuant to Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, 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.

(b) Persons who have an interest or short position which is disclosable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors and chief executive of the Company, as at the Latest Practicable Date, the following person (not being Director or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange 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 meetings of any member of the Group:

Long positions in the Shares

Name	Type of interests	Number of securities	Approximate percentage of shareholding
Haijing *(Note)*	Beneficial owner	345,729,000 Shares *(Note)*	51.22%

Note:

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

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was 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 meetings of any member of the Group.

3. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, so far as the Directors are aware of, none of themselves or the management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete with the business of the Group or any other conflicts of interest with the Group.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2005, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

4. SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Company or its subsidiaries within one year without payment of compensation (other than statutory compensation)).

5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Company) have been entered into by the Company and/or member(s) of the Group within two years immediately preceding the date of this circular which are or may be material:

(a) the S&P Agreement;

(b) a placing agreement dated 20 September 2006 entered into between the Company and Hantec Capital Limited relating to the placing of not more than 112,500,000 Shares by Hantec Capital Limited at a placing price of HK$0.048 per placing share with a gross proceeds of approximately HK$5.4 million; and

(c) an underwriting agreement dated 21 December 2005 entered into between the Company and Haijing Holdings Limited relating to the underwriting by Haijing Holdings Limited of 81,885,500 rights shares in the rights issue of the Company at the subscription price of HK$0.02 per rights share with the underwriting commission of 2.5% of the total subscription price of the rights shares underwritten.

Except as disclosed above, the Directors confirm that no other material contract has been entered into by the Group within the two years immediately preceding the date of this circular.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

7. QUALIFICATIONS OF EXPERTS

The following is the qualifications of the experts who has given opinion or, advice contained in this circular:

Name	Qualification
CCIF CPA Limited	Certified Public Accountants
Asset Appraisal Limited	Property Valuer
Anhui Hesen Law Office (安徽禾森律師事務所)	PRC Legal Advisors

As at the Latest Practicable Date, none of CCIF CPA Limited, Asset Appraisal Limited and Anhui Hesen Law Office (安徽禾森律師事務所) have any shareholding, directly or indirectly, in the Company or any of its members or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in the Company or any of its members.

CCIF CPA Limited, Asset Appraisal Limited and Anhui Hesen Law Office (安徽禾森律師事務所) did not have any direct or indirect interest in any assets which have, since 31 December 2005, being the date of the latest published audited accounts of the Company, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Company.

8. CONSENTS

CCIF CPA Limited, Asset Appraisal Limited and Anhui Hesen Law Office (安徽禾森律師事務所) have given and have not withdrawn their written consent as to the issue of this circular with the inclusion herein of their respective opinions or letters and/or reference to their names, opinions or letters in the form and context in which they respectively appear.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company in Hong Kong at Room 2412, 24/F., Wing On Centre, 111 Connaught Road Central, Hong Kong during 9:00 a.m. to 5:00 p.m. from 29 January 2007 up to and including 13 February 2007:

(a) the Company's memorandum and articles of association of the Company;

(b) the material contracts as referred to in the paragraph 5 to this appendix;

(c) the annual report of the Group for each of the two financial years ended 31 December 2005;

(d) the letter from CCIF CPA Limited in relation to the unaudited pro forma financial information of the Group as set out in Appendix 2 to this circular;

(e) the valuation report in respect of the Land as set out in Appendix 3 to this circular;

(f) the legal opinion of Anhui Hesen Law Office (安徽禾森律師事務所) as referred to in the valuation report mentioned in (e) above; and

(g) the letter of consents referred to in paragraph 8 of this appendix.

10. MISCELLANEOUS

(a) The compliance officer of the Company is Ms. Hui Honyan. Ms. Hui Hongyan, aged 42, graduated from the University of Shenzhen (深圳大學) majoring in Accountancy in 1992. Ms. Hui had over 12 years of experience in different management positions in finance department of various companies in the PRC. Ms. Hui does not have any interest in the securities of the Company within the meaning of Part XV of SFO and she did not hold any directorship in any other listed public companies in the last three years before the Latest Practicable Date.

(b) Ms. Choi Yuen Wa is the qualified accountant and company secretary of the Company. She 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.

(c) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is at Room 2412, 24th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.

(d) The Hong Kong branch share registrar and transfer office of the Company is Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(e) The Company has established an audited committee on 6 June 2003 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The principal duties of the audit committee include the review and supervision of the Group's financial reporting process and internal control system. The audit committee comprises three independent non-executive Directors, namely:

(i) **Mr. Chen Weirong**, aged 47, is the President of 深圳宇陽科技發展有限公司 (Eyang Technology Development Co., Ltd.) ("Eyang"). Prior to joining Eyang, Mr. Chen served as Vice-President (Operation), Chief Executive Officer and Vice-President of the board of directors of 康佳集團 (Konka Group). Mr. Chen also served as Vice-President of 中國華僑城集團 (China Oct Group). Mr. Chen is a senior engineer who graduated from 中國華南理工大學 (South China University of Technology) in 1982. In 1996, he received recognition as one of the 十大傑出青年企業家 (Top Ten Outstanding Young Enterprises) in Shenzhen as well as one of the 中國經營管理大

師 (China Master of Operation And Management) in 1996. Mr. Chen was awarded a 全國五一勞動獎章 (National Labor Medal) in 1997, and he served as an elected representative of the Ninth National People's Congress in 1998. Mr. Chen currently serves as an independent non-executive director of China Photar Electronics Group Limited, a company listed on GEM.

(ii) **Mr. Cheng Yun Ming, Matthew**, aged 36, is a Certified Public Accountant, an associate member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. He also serves as an independent non-executive director of A & K Educational Software Holdings Limited, a company listed on GEM. Mr. Cheng obtained a bachelor degree in accountancy from the Hong Kong Polytechnic University in 1992.

(iii) **Mr. Sin Ka Man**, aged 39, has over 15 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 is currently an Assistant General Manager who is responsible for the accounting and financial management of China Velocity Group Limited, a company listed on the Main Board of the Stock Exchange. 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.

(f) The English text of this circular shall prevail over the Chinese text in case of inconsistency.