(Stock Code: 8065)

中國海景

ANNUAL REPORT 2007

中國海景控股有限公司

Sino Haijing Holdings Limited

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

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

The 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 in order to obtain up-to-date information on GEM-listed issuers.

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

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Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Lan Yu Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

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

COMPLIANCE OFFICER

Ms. Hui Hongyan

MEMBERS OF THE AUDIT COMMITTEE AND REMUNERATION COMMITTEE

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

CAYMAN ISLANDS REPRESENTATIVE

Conyers Dill & Pearman, Cayman

AUDITORS

CCIF CPA Limited
Certified Public Accountants

PRINCIPAL BANKER

The Hong Kong and Shanghai Banking
Corporation Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

8065

Directors and Senior Management of the Group

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

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chao Pang Fei, aged 47, is the chairman of the Group and is responsible for the formulation of corporate strategy and the steering of the overall development of the Group. Mr. Chao has over 12 years of experience in expanding and promoting the expandable polystyrene ("EPS") packaging industries in PRC. Mr. Chao joined the Group in September 2005.

Mr. Wang Yi, aged 46, is the vice president of the Group and is responsible for overseeing the operations of the PRC Companies of the Group. Mr. Wang graduated from 上海市輕工業專科學校(Shanghai Light Industry College). Mr. Wang has over 20 years of experience in the EPS production and technical management. He is the Vice President of China EPS Industry Association (中國EPS行業協會副會長). Mr. Wang joined the Group in January 2008.

Ms. Hui Hongyan, aged 43, graduated from the University of Shenzhen (深圳大學) majoring in Accountancy in 1992. Ms. Hui had over 13 years of experience in different management positions in finance department of various companies in the PRC. Ms Hui joined the Group in September 2005.

NON-EXECUTIVE DIRECTOR

Mr. Lan Yu Ping, aged 44, holds a bachelor degree and master degree in economics from Zhongshan University in the PRC and a master degree in business studies from Massey University in New Zealand. Since 1988, Mr. Lan worked for several financial institutions and investment companies in the PRC and currently he is an associate professor in the International Finance College of the Beijing Normal University (Zhuhai Campus). Mr. Lan has over 12 years of experience in finance and investment fields.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Ka Wing, Sammy, aged 36 has over 10 years of management experience. Mr. Ho received a bachelor degree of Business from the Monash University in Australia in 1997 and a master of degree of Business Administration from the University of Surrey in the United Kingdom in 2000.

Mr. Cheng Yun Ming, Matthew, aged 38, is a Certified Public Accountant (Practising), an associate member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Cheng obtained a bachelor degree in accountancy from the Hong Kong Polytechnic University in 1992.

Directors and Senior Management of the Group

Mr. Sin Ka Man, aged 40, has over 16 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 a Vice President of China Agri-products Exchange 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.

SENIOR MANAGEMENT

Ms. Choi Yuen Wa, aged 40, is the qualified accountant and company secretary of the Group. Ms. Choi joined the Group in August, 2005 and is responsible for the financial management, accounting and company secretarial matters of the Group. Ms. Choi holds a master degree in business administration from The University of Surrey in the United Kingdom. Ms. Choi is a fellow member of the Association of Chartered Certified Accountants and is an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining to the Group, Ms. Choi had worked in the finance department of two public listed companies Hong Kong. She has over fourteen years of experience in the field of auditing, accounting and financial management.

Mr. Deng Chuangping, aged 31, is the Qingdao regional general manager of the Group and is responsible for overseeing the operations of the PRC Companies in Qingdao Area. Mr. Deng graduated from 中國人民大學 (Renmin University of China). Mr. Deng has over 8 years of experience in the EPS production and management. Mr. Deng joined the Group in January 2008.

Directors' Business Review

On behalf of the board of directors (the "Board"), I present the annual results of Sino Haijing Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the financial year ended 31 December 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For year under review, the Group was principally engaged in the IBS Solutions and maintenance and the sales of packaging materials. The Group recorded a total turnover of approximately HK$11,452,000 (2006: HK$4,511,000), representing an increase of approximately 154% as compared with that for the corresponding year in 2006. Loss attributable to shareholders was approximately HK$8,107,000 (2006: HK$9,226,000), representing a decrease of approximately 12% as compared with that for the corresponding year in 2006.

BUSINESS REVIEW

Over the recent years, the Group has constantly suffered from profit setbacks with newly-constructed buildings of the construction sector in the territory showing no sign of increase.

The Group was operating in the IBS industry where intense competition existed and industry players adopted price was strategy in bidding IBS contracts.

In view of continuous loss of IBS business that has brought an adverse impact on the Group's overall results. The Group has disposed of the IBS business on 17 March 2008.

BUSINESS OUTLOOK

The Group acquired two EPS packaging businesses on 2 January 2008. Driven by China's strong economic growth and improving living standards, the demand for electrical products has been increasing. The cushion packaging materials is an inseparable part of packaging services required in the transportation of electrical products. Among the cushion packaging materials, the expandable polystyrene "EPS" packaging materials are by far the most widely used and have a high market share in the cushion packaging materials market.

The Acquired packaging businesses provide a good mix of cushion packaging solutions. They comprise of companies with sound track record of manufacturing and sales of EPS and paper honeycomb packaging materials, as well as companies providing design and mould production services. They have established a clientele comprising certain famous electrical appliances manufacturers in the PRC.

Hence, the Directors are optimistic on the business prospects and future growth of the EPS packaging industry.

Directors' Business Review

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the Group had net current assets of approximately HK$27,036,000 (2006: HK$11,683,000) of which approximately nil and HK$15,823,000 (2006: approximately HK$2,376,000 and HK$6,417,000) were pledged bank deposits and cash and cash equivalents respectively. The Directors are confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

EMPLOYEES

As at 31 December 2007, the Group had a total of around 29 (2006: 14) staff based in PRC and Hong Kong. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

CAPITAL STRUCTURE

As at 31 December 2007, the Group's net assets were financed by internal resources through share capital and reserves. Total equity attributable to shareholders was approximately HK$34,106,000 (2006: HK$13,597,000) as at 31 December 2007, representing an increase of approximately 151% over last year.

SIGNIFICANT INVESTMENTS

There were no significant investments held by the Group as at 31 December 2007.

CAPITAL COMMITMENTS

The group's capital commitments outstanding at the year ended and contracted but not provided for in the financial statements is HK$182,251,000 (2006: HK$3,360,000).

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTIONS INVOLVING THE ISSUE OF CONSIDERATION SHARES AND VERY SUBSTANTIAL DISPOSAL

On 13 November 2007, the Group entered into the Wisdom Sun Acquisition Agreement with Ms. Sam Mei Wa, the spouse of Mr. Chao Pang Fei pursuant to which the Group will conditionally acquire from Ms. Sam 100% interest in Wisdom Sun at a total consideration of HK$171,965,517.

Directors' Business Review

The Wisdom Sun Consideration will be satisfied as to (i) HK$38,000,000 in cash; and (ii) HK$133,965,517 by the allotment and issue of an aggregate of 120,689,655 Wisdom Sun Consideration Shares at an issue price of HK$1.11 each by the Company to Haijing Holdings Limited. Details of the Wisdom Sun Acquisition were set out in the Company's circular dated 17 December 2007 and the ordinary resolution of shareholders had been passed on 2 January 2008. The Wisdom Sun Acquisition had been completed on 4 January 2008.

On 13 November 2007, the Group entered into the Dragon Vault Acquisition Agreement with Mr. Chao Pang Fei, pursuant to which the Group will conditionally acquire from Mr. Chao 100% interest in Dragon Vault at a total consideration of HK$7,000,000 to be satisfied by cash. Details of the Dragon Vault Acquisition were set out in the Company's circular dated 17 December 2007 and the ordinary resolution of shareholders had been passed on 2 January 2008. The Dragon Vault Acquisition had been completed on 2 January 2008.

On 13 November 2007, the Group entered into the Disposal Agreement with Mr. Andy Lam, pursuant to which the Group will conditionally dispose of 100% interest in Innovis Technology Limited to Mr. Andy Lam at a total consideration of HK$50,000 in cash. Details of the Disposal were set out in the Company's circular dated 17 December 2007 and the ordinary resolution of shareholders had been passed on 2 January 2008. The Disposal had been completed on 17 March 2008.

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

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2007, no pledge of assets was charged by the Group (2006: HK$2,376,000).

CONTINGENT LIABILITIES

At as 31 December 2007, the Group did not have any significant contingent liabilities (2006: Nil).

Directors' Business Review

GEARING RATIO

As at 31 December 2007 the Group had a net cash and cash equivalents position of approximately HK$15,823,000 (2006: HK$6,417,000). The Group had no gearing as at 31 December 2007. (2006: Nil).

HEDGING

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

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our shareholders for their continued support during 2007 and all staff for their hard work. We look forward to a prosperous 2008, generating higher investment returns to our shareholders.

For and on behalf of the Board

Chao Pang Fei
Chairman

Hong Kong, 20 March 2008

Report of the Directors

The directors present herewith their annual report and the audited financial statements of Sino Haijing Holdings Limited ("the Company") and its subsidiaries (together with the Company, "the Group") for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Group's subsidiaries are set out in note 18 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	87%	
Five largest customers in aggregate	96%	
The largest supplier		27%
Five largest suppliers in aggregate		70%

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

SEGMENT INFORMATION

Details of segment information are set out in note 4 to the financial statements.

FINANCIAL STATEMENTS AND DIVIDENDS

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

The state of affairs of the Group and the Company as at 31 December 2007 are set out in the consolidated balance sheet on page 27 and the balance sheet on page 28, respectively.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2007 (2006: Nil).

Report of the Directors

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2007 and of the assets and liabilities as at 31 December 2003, 2004, 2005, 2006 and 2007 is set out on page 96.

CHARITABLE DONATIONS

The Group made charitable donations during the year amounted to HK$6,800 (2006: HK$2,800).

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 15 to the financial statements.

SHARE CAPITAL

Movements in share capital of the Company during the year are set out in note 27 to the financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the statements of changes in equity on pages 29 to 31.

DIRECTORS

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

Executive Directors

Mr. Chao Pang Fei, *Chairman*
Mr. Wang Yi (Appointed in 15 January 2008)
Ms. Hui Hongyan
Mr. Tsang Hon Chung (Resigned on 1 November 2007)

Non-executive Director

Mr. Lan Yu Ping

Report of the Directors

Independent non-executive Directors

Mr. Ho Ka Wing, Sammy (Appointed in 15 January 2008)
Mr. Cheng Yun Ming, Matthew
Mr. Sin Ka Man
Mr. Chen Weirong (Resigned on 15 January 2008)

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

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

Each of the independent non-executive directors has confirmed his independence to the Company pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the year ended 31 December 2007 and the Company considers the independent non-executive directors to be independent.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the section headed "CONNECTED TRANSACTIONS" below, no other contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

On 13 November 2007, the Group entered into the Wisdom Sun Acquisition Agreement with Ms. Sam Mei Wa, the spouse of Mr. Chao Pang Fei pursuant to which the Group will conditionally acquire from Ms. Sam 100% interest in Wisdom Sun at a total consideration of HK$171,965,517.

Report of the Directors

The Wisdom Sun Consideration will be satisfied as to (i) HK$38,000,000 in cash; and (ii) HK$133,965,517 by the allotment and issue of an aggregate of 120,689,655 Wisdom Sun Consideration Shares at an issue price of HK$1.11 each by the Company to Haijing Holdings Limited. Details of the Wisdom Sun Acquisition were set out in the Company's circular dated 17 December 2007 and the ordinary resolution of shareholders had been passed on 2 January 2008. The Wisdom Sun Acquisition had been completed on 4 January 2008.

On 13 November 2007, the Group entered into the Dragon Vault Acquisition Agreement with Mr. Chao Pang Fei, pursuant to which the Group will conditionally acquire from Mr. Chao 100% interest in Dragon Vault at a total consideration of HK$7,000,000 to be satisfied by cash. Details of the Dragon Vault Acquisition were set out in the Company's circular dated 17 December 2007 and the ordinary resolution of shareholders had been passed on 2 January 2008. The Dragon Vault Acquisition had been completed on 2 January 2008.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

Directors' interests and short positions in the securities of the Company and its associated corporations

As at 31 December 2007, 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

Report of the Directors

SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares of the Company

Name of director	Capacity	Number of Shares *(Note 1)*	Approximate percentage of the issued share capital of the Company %
Mr. Chao Pang Fei	Interest of controlled corporation	172,599,005(L) *(Note 2)*	142.06
	Beneficial interest	9,030,000(L)	7.43

Notes:

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

2. These Shares comprise 120,689,655 Wisdom Sun Consideration Shares that are to be allotted and issued upon Wisdom Sun Completion on 4 January 2008. All the Shares are legally owned by Haijing Holdings Limited ("Haijing Holdings"), a company wholly owned by Mr. Chao. By virtue of his 100% shareholding interest in Haijing Holdings, Mr. Chao is taken to be interested in all the Shares held by Haijing Holdings pursuant to the SFO.

Save as disclosed above, as at 31 December 2007, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Report of the Directors

INTERESTS OF SUBSTANTIAL SHAREHOLDER

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

As at the 31 December 2007, so far as was known to the Directors or chief executive of the Company, the persons (other than the Directors or the chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or had any options in respect of such capital are set out below:

Long positions in the Shares

Name of shareholder	Nature of interests	Number of Shares	Approximate percentage of the issued share capital of the Company %
Haijing Holdings	Beneficial owner	172,599,005 *(Note 1)*	142.06
Ms. Sam Mei Wa	Interest of spouse	181,629,005 *(Note 2)*	149.49

Notes:

1. These Shares comprise 120,689,655 Wisdom Sun Consideration Shares that are to be allotted and issued upon Wisdom Sun Completion on 4 January 2008. Haijing Holdings is a company wholly owned by Mr. Chao.

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

Report of the Directors

COMPETING INTERESTS

As at 31 December 2007, none of the Directors or management shareholders (as defined in GEM Listing Rules) of the Company or their respective associates had interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Company.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE REPORT

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

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

Report of the Directors

THE BOARD

Responsibilities

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

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

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

Composition

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

Report of the Directors

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

Executive Directors:

Mr. Chao Pang Fei *(Chairman)*
Mr. Wang Yi (Appointed on 15 January 2008)
Ms. Hui Hongyan
Mr. Tsang Hon Chung (Resigned on 1 November 2007)

Non-executive Director:

Mr. Lan Yu Ping

Independent non-executive Directors:

Mr. Ho Ka Wing, Sammy *(Chairman of Audit Committee and Remuneration Committee)* (Appointed on 15 January 2008)
Mr. Cheng Yun Ming, Matthew *(member of Audit Committee and Remuneration Committee)*
Mr. Sin Ka Man *(member of Audit Committee and Remuneration Committee)*
Mr. Chen Weirong (Resigned on 15 January 2008)

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

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

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

In accordance with the Company's articles of association, all directors for the time being shall retire from office and being eligible, offer themselves for re-election at the forthcoming annual general meeting. Detailed information of the directors standing for re-election will be included in the Company's circular to be dispatched together with the notice of the 2007 annual general meeting.

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

Report of the Directors

Board and Board Committees Meetings

Number of Meetings and Directors' Attendance

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

During the year ended 31 December 2007, 16 Board meetings (4 of which were regular Board meetings) and four Audit Committee meetings were held.

The individual attendance record of each director at the meetings of the Board and Audit Committee during the year ended 31 December 2007 is set out below:

	Attendance/Number of Meetings held during the tenure of directorship	
Name of Directors	**Board**	**Audit Committee**
Executive Directors		
– Mr. Chao Pang Fei	11/16	N/A
– Mr. Wang Yi	N/A	N/A
– Ms. Hui Hongyan	16/16	N/A
– Mr. Tsang Hon Chung	0/16	N/A
Non-Executive Director		
– Mr. Lan Yu Ping	8/16	N/A
Independent Non-Executive Directors		
– Mr. Ho Ka Wing *(Chairman of Audit Committee)*	N/A	N/A
– Mr. Cheng Yun Ming, Matthew *(member of Audit Committee)*	9/16	3/4
– Mr. Sin Ka Man *(member of Audit Committee)*	11/16	4/4
– Mr. Chan Weirong	9/16	2/4

Practices and Conduct of Meetings

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

Report of the Directors

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

Report of the Directors

BOARD COMMITTEES

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

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

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

Remuneration Committee

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

Audit Committee

The Company had established an audit committee in compliance with Rule 5.28 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures of the Group. The audit committee for the period from 1 January 2007 to 14 January 2008 comprised three members, Mr. Chen Weirong, Mr. Cheng Yun Ming, Matthew and Mr. Sin Ka Man, who are Independent Non-Executive Directors of the Company.

With effect from 15 January 2008, the audit committee comprises Mr. Ho Ka Wing, Sammy, Mr. Cheng Yun Ming, Matthew and Mr. Sin Ka Man, who are Independent Non-Executive Directors of the Company.

During the year, the audit committee held four meetings to review and comment on the Company's 2006 annual report, 2007 half-yearly report and quarterly reports as well as the Company's internal control procedures.

Report of the Directors

The Group's annual results for the year ended 31 December 2007 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Required Standard of Dealings throughout the year ended 31 December 2007.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

The directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2007.

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

AUDITOR'S REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services for the year ended 31 December 2007 amounted to HK$205,000.

INTERNAL CONTROLS

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

Report of the Directors

SHAREHOLDER RIGHTS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's articles of association. Details of such rights to demand a poll were included in the circular to shareholders in relation to the holding of 2007 annual general meeting and explained during the proceedings of the meeting.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board Committee attended the 2007 annual general meeting to answer questions at the meeting.

Separate resolutions were proposed at 2007 annual general meeting on each substantial issue, including the election of individual directors.

AUDITOR

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

On behalf of the board

Chao Pang Fei
Chairman
Hong Kong, 20 March 2008

Independent Auditor's Report

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
SINO HAIJING HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the financial statements of Sino Haijing Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 26 to 95 which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statements of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

Independent Auditor's Report

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's result and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong
20 March 2008

Kwok Cheuk Yuen
Practising Certificate Number P02412

Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000 (restated)
Continuing operations			
Turnover	3	**10,055**	–
Cost of sales		**(9,843)**	–
Gross Profit		**212**	–
Other revenue	5	**749**	384
Administrative and other operating expenses		**(4,222)**	(2,418)
Loss from operations		**(3,261)**	(2,034)
Finance costs	6	**(8)**	(2)
Loss before taxation		**(3,269)**	(2,036)
Income tax	7	**–**	–
Loss for the year from continuing operations		**(3,269)**	(2,036)
Discontinued operations			
Loss for the year from discontinued operations	9(c)	**(4,838)**	(7,190)
Loss for the year	10	**(8,107)**	(9,226)
Attributable to:			
Equity holders of the Company	11	**(8,107)**	(9,226)
Dividends	12	**–**	–
Loss per share	13		
From continuing and discontinued operations			
– Basic		**(HK8.3 cents)**	(HK16.2 cents)
– Diluted		**N/A**	N/A
From continuing operations			
– Basic		**(HK3.4 cents)**	(HK3.6 cents)
– Diluted		**N/A**	N/A

The notes on pages 34 to 95 form part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	456	492
Lease premium for land	16	3,487	–
Construction-in-progress	17	3,127	–
Available-for-sale financial assets	19	–	859
Trade and other receivables	22	–	563
		7,070	1,914
CURRENT ASSETS			
Inventories	20	213	–
Lease premium for Land	16	73	–
Held-to-maturity debt securities	21	–	49
Trade and other receivables	22	15,024	5,498
Tax recoverable		–	60
Pledged time deposits	23	–	2,376
Cash and cash equivalents	24	15,823	6,417
		31,133	14,400
Assets classified as held for sale	9(a)	4,834	–
		35,967	14,400
CURRENT LIABILITIES			
Trade and other payables	25	6,928	2,123
Amount due to a director	26	–	152
Amount due to a related company	26	–	442
		6,928	2,717
Liabilities associated with assets classified as held for sale	9(b)	2,003	–
		8,931	2,717
NET CURRENT ASSETS		27,036	11,683
NET ASSETS		34,106	13,597
CAPITAL AND RESERVES			
Issued capital	27	12,150	6,750
Reserves		21,956	6,847
TOTAL EQUITY		34,106	13,597

Approved and authorised for issue by the board of directors on 20 March 2008

On behalf of the board

Chao Pang Fei
Director

Hui Hongyan
Director

The notes on pages 34 to 95 form part of these financial statements.

Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	18	23,227	12,703
CURRENT ASSETS			
Trade and other receivables	22	2,144	51
Cash and cash equivalents	24	7,420	1,756
		9,564	1,807
Assets classified as held for sale	9(a)	4,834	–
		14,398	1,807
CURRENT LIABILITIES			
Trade and other payables	25	1,336	491
Liabilities associated with assets classified as held for sale	9(b)	2,003	–
		3,339	491
NET CURRENT ASSETS		11,059	1,316
NET ASSETS		34,286	14,019
CAPITAL AND RESERVES			
Issued capital	27	12,150	6,750
Reserves		22,136	7,269
TOTAL EQUITY		34,286	14,019

Approved and authorised for issue by the board of directors on 20 March 2008

On behalf of the board

Chao Pang Fei
Director

Hui Hongyan
Director

The notes on pages 34 to 95 form part of these financial statements.

Statements Of Changes In Equity

For the year ended 31 December 2007

Group

	Issued capital	Share premium (Note (a))	Capital reserve (Note (b))	Translation reserve (Note (d))	Investment revaluation reserve (Note (e))	Retained profits/ (accumulated losses)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1/1/2006	3,750	8,672	117	–	(232)	1,432	13,739
Issue of one rights share for every two existing shares	1,875	1,875	–	–	–	–	3,750
Placing of new shares	1,125	4,275	–	–	–	–	5,400
Issuing expenses	–	(158)	–	–	–	–	(158)
Fair value gain on available-for-sale financial assets	–	–	–	–	92	–	92
Net loss for the year	–	–	–	–	–	(9,226)	(9,226)
At 31/12/2006 and 1/1/2007	6,750	14,664	117	–	(140)	(7,794)	13,597
Issue of one rights share for every two existing shares *(note 27(b))*	3,375	6,750	–	–	–	–	10,125
Placing of new shares *(note 27(c))*	2,025	16,605	–	–	–	–	18,630
Issuing expenses	–	(878)	–	–	–	–	(878)
Exchange differences arising on translation of a foreign operation	–	–	–	599	–	–	599
Fair value gain on available-for-sale financial assets	–	–	–	–	58	–	58
Reclassified as held for sale	–	–	–	–	82	–	82
Net loss for the year	–	–	–	–	–	(8,107)	(8,107)
At 31/12/2007	12,150	37,141	117	599	–	(15,901)	34,106

Statements Of Changes In Equity

For the year ended 31 December 2007

Company

	Issued capital	Share premium *(Note (a))*	Contributed surplus *(Note (c))*	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1/1/2006	3,750	8,672	8,467	(7,004)	13,885
Issue of one rights share for every two existing shares	1,875	1,875	–	–	3,750
Placing of new shares	1,125	4,275	–	–	5,400
Issuing expenses	–	(158)	–	–	(158)
Net loss for the year	–	–	–	(8,858)	(8,858)
At 31/12/2006 and 1/1/2007	**6,750**	**14,664**	**8,467**	**(15,862)**	**14,019**
Issue of one rights share for every two existing shares *(note 27(b))*	**3,375**	**6,750**	**–**	**–**	**10,125**
Placing of new shares *(note 27(c))*	**2,025**	**16,605**	**–**	**–**	**18,630**
Issuing expenses	**–**	**(878)**	**–**	**–**	**(878)**
Net loss for the year	**–**	**–**	**–**	**(7,610)**	**(7,610)**
At 31/12/2007	**12,150**	**37,141**	**8,467**	**(23,472)**	**34,286**

Statements Of Changes In Equity

For the year ended 31 December 2007

Notes:

a) Share premium

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

b) Capital reserve

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

c) Contributed surplus

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

d) Translation reserve

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

e) Investment revaluation reserve

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

The Company's reserves as at 31 December 2007 available for distribution to shareholders are approximately to HK$13,669,000 (2006: HK$Nil).

The notes on pages 34 to 95 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		**(8,107)**	(9,226)
Adjustments for:			
Income tax (credit)/expenses		**(60)**	181
Interest expenses		**1**	25
Loss recognised on the remeasurement of assets of disposal		**450**	–
Interest income		**(267)**	(148)
Gain on disposal of property, plant and equipment		**(30)**	–
Depreciation and amortisation		**293**	209
Bad debts written off		**–**	3,050
Property, plant and equipment written off		**101**	–
Impairment loss of trade and other receivables		**3,187**	1,700
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES		**(4,432)**	(4,209)
Increase in inventories		**(213)**	–
(Increase)/decrease in trade and other receivables		**(15,855)**	7,259
Increase/(decrease) in trade and other payables		**5,996**	(1,797)
Decrease in amount due to a director		**(151)**	(874)
Increase in amount due to a related company		**–**	382
CASH (USED IN)/GENERATED FROM OPERATIONS		**(14,655)**	761
Hong Kong profits tax refunded		**120**	23
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		**(14,535)**	784

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(317)	(13)
Sale proceeds from disposal of property, plant and equipment		30	–
Interest received		267	148
Net proceed from the maturity of debt securities		49	–
Additions to construction-in-progress		(3,127)	–
Payment for lease premium for land		(3,500)	–
Bank deposits pledged for banking facilities		–	(850)
Proceeds from maturity of bank deposits pledged for banking facilities		2,376	–
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(4,222)	(715)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from right issue of shares		9,426	3,685
Net proceeds from placing of shares		18,451	5,307
Repayment of secured bank loan		–	(833)
Interest paid		(1)	(25)
Decrease in bills payable, unsecured		–	(4,873)
NET CASH INFLOW FROM FINANCING ACTIVITIES		27,876	3,261
INCREASE IN CASH AND CASH EQUIVALENTS		9,119	3,330
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		470	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		6,417	3,087
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	16,006	6,417

The notes on pages 34 to 95 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December, 2007

1. BASIS OF PREPARATION

a) GENERAL INFORMATION

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of intelligent building system ("IBS") solutions installation services and sales of packaging materials.

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

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

b) BASIS OF CONSOLIDATION

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES

a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM Listing Rules") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") 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.

b) BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with HKFRSs and under the historical cost convention, except for the available-for-sale financial assets that have been measured at fair value.

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

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

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

b) BASIS OF PREPARATION *(Continued)*

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial Instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in note 36.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 36(g).

Both HKFRS 7 and the amendment to HKAS 1 do not have nay material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective fro the current accounting period (see below).

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2007 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

b) BASIS OF PREPARATION *(Continued)*

In addition, the following developments may result in new or amended disclosures in future financial statements:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) - Int 11	HKFRS 2 - Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) - Int 12	Service Concession Arrangements	1 January 2008
HK(IFRIC) - Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC) - Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

c) REVENUE RECOGNITION

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

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

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

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

ii) Sale of packaging materials

Revenue from the sale of packaging materials 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 as it accrues using the effective interest method.

iv) Sale of marketable securities

Gain from sale of marketable securities is recognised on the transaction dates.

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

d) 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 are as follows:

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

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(h)).

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(h)).

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(h)) 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.

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

e) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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%
Plant machinery	10-20%
Furniture and equipment	20%
Computer	20-30%
Motor vehicles	30%

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

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

f) LEASES

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the company. All other leases are classified as operating leases.

i) Finance leases

Assets held under finance leases are recognised in the balance sheet at amounts equal to the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liabilities, net of finance charges, on the finance leases are recorded as obligations under finance leases. All assets held under finance leases are classified as fixed assets, except for properties held to earn rental income which are classified as investment property, in the balance sheet.

Depreciation and impairment loss are calculated and recognised in the same manner as depreciation and impairment loss on fixed assets as set out in note 2(e) and 2(h) respectively, except that the estimated useful lives cannot exceed the relevant lease terms, if shorter.

Minimum lease payments are apportioned between finance charge and the reduction of the outstanding liabilities. The finance charge is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the obligations for each accounting period.

ii) Leases of land and building

Whenever necessary, in order to classify and account for a lease of land and building, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

The land element is classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term. The building element is classified as a finance or operating lease in the same way as leases of other assets.

If the lease payments on a lease of land and building cannot be allocated reliably between the land and building elements at the inception of the lease, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

f) LEASES *(Continued)*

iii) Operating leases

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. The payments made on acquiring land held under an operating lease are recognised in the balance sheet as lease premium for land.

Contingent rents are charged as an expense in the periods in which they are incurred.

g) CONSTRUCTION-IN-PROGRESS

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

h) IMPAIRMENT OF ASSETS

i) Impairment of investments in equity securities and other receivables

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

h) IMPAIRMENT OF ASSETS *(Continued)*

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

h) IMPAIRMENT OF ASSETS *(Continued)*

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

h) IMPAIRMENT OF ASSETS *(Continued)*

ii) Impairment of other assets

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

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

– intangible assets;

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

– goodwill.

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

– 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).

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

h) IMPAIRMENT OF ASSETS *(Continued)*

ii) Impairment of other assets (Continued)

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(h)).

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

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

i) 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.

j) NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

k) RELATED PARTIES

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

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

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

k) RELATED PARTIES *(Continued)*

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

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

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

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

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

l) INVENTORIES

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

m) 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(h)), 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(h)).

n) 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.

o) CASH AND CASH EQUIVALENTS

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

p) PROVISIONS AND CONTINGENT LIABILITIES

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

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

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

q) INCOME TAX

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

q) INCOME TAX *(Continued)*

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

q) INCOME TAX *(Continued)*

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

  – the same taxable entity; or

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

r) 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 differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

r) TRANSLATION OF FOREIGN CURRENCIES *(Continued)*

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.

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

s) 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.

t) 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.

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

t) SEGMENT REPORTING *(Continued)*

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.

u) 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.

Notes to the Financial Statements

For the year ended 31 December, 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

v) RESEARCH AND DEVELOPMENT COSTS

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

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

3. TURNOVER

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

	2007 *HK$'000*	2006 *HK$'000*
Continuing operations		
Sales of packaging materials	10,055	-
Discontinued operations		
IBS solutions	1,397	4,511
	11,452	4,511

Notes to the Financial Statements

For the year ended 31 December, 2007

4. SEGMENT INFORMATION

a) Business segments

The Group was principally engaged in IBS solutions installation services and sales of packaging materials. These two business segments are the basis on which the Group reports its primary segment information. Segment information about these businesses is presented below:

	Continuing operation: Sale of packaging materials		Discontinued operation: IBS solutions		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Segment revenue:						
Turnover	**10,055**	–	**1,397**	4,511	**11,452**	4,511
Other revenue	**749**	384	**572**	199	**1,321**	583
Total	**10,804**	384	**1,969**	4,710	**12,773**	5,094
Segment results	**(3,261)**	(2,034)	**(4,878)**	(6,972)	**(8,139)**	(9,006)
Loss from operations	**(3,261)**	(2,034)	**(4,878)**	(6,972)	**(8,139)**	(9,006)
Finance costs	**(8)**	(2)	**(20)**	(37)	**(28)**	(39)
Loss before taxation	**(3,269)**	(2,036)	**(4,898)**	(7,009)	**(8,167)**	(9,045)
Income tax	**–**	–	**60**	(181)	**60**	(181)
Loss for the year	**(3,269)**	(2,036)	**(4,838)**	(7,190)	**(8,107)**	(9,226)
Segment assets	**38,203**	6,582	**4,834**	9,732	**43,037**	16,314
Segment liabilities	**6,928**	491	**2,003**	2,226	**8,931**	2,717
Other segment information:						
Depreciation of property, plant and equipment	**90**	61	**133**	148	**223**	209
Amortisation of – land lease premium	**70**	–	**–**	–	**70**	–
Bad debts written off	**–**	–	**–**	3,050	**–**	3,050
Other non-cash expenses – Impairment loss of trade and other receivables	**–**	–	**3,187**	1,700	**3,187**	1,700
Capital expenditure	**6,936**	–	**8**	13	**6,944**	13

Notes to the Financial Statements

For the year ended 31 December, 2007

4. SEGMENT INFORMATION *(Continued)*

b) Geographical segments

	Hong Kong		PRC		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Turnover	**1,397**	4,511	**10,055**	–	**11,452**	4,511
Other segment information:						
Segment assets	**22,780**	13,549	**20,257**	2,765	**43,037**	16,314
Capital expenditure	**39**	13	**6,905**	–	**6,944**	13

5. OTHER REVENUE

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Bank interest income	**248**	62	**19**	86	**267**	148
Gain on disposal of trading securities	**483**	306	**–**	–	**483**	306
Exchange gain	**–**	16	**–**	–	**–**	16
Gain on disposal of property, plant and equipment	**–**	–	**30**	–	**30**	–
Sundry income	**18**	–	**523**	113	**541**	113
Total	**749**	384	**572**	199	**1,321**	583

Notes to the Financial Statements

For the year ended 31 December, 2007

6. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Bank charges	**8**	2	**19**	12	**27**	14
Bank loan interest	**–**	–	**–**	11	**–**	11
Bank overdraft interest	**–**	–	**1**	1	**1**	1
Trust receipt loan interest	**–**	–	**–**	13	**–**	13
Total	**8**	2	**20**	37	**28**	39

7. INCOME TAX

a) Income tax in the consolidated income statement represents:

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
(Over)/under provision in prior years:						
Hong Kong	**–**	–	**(60)**	181	**(60)**	181
PRC enterprise income tax	**–**	–	**–**	–	**–**	–
	–	–	**(60)**	181	**(60)**	181

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated profit for the year.

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

Notes to the Financial Statements

For the year ended 31 December, 2007

7. INCOME TAX *(Continued)*

a) Income tax in the consolidated income statement represents: *(Continued)*

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

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

	2007	2006
	HK$'000	*HK$'000*
Loss before taxation:		
Continuing operations	**(3,269)**	(2,036)
Discontinued operations	**(4,898)**	(7,009)
	(8,167)	(9,045)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**(1,386)**	(1,583)
Tax effect of non-deductible expenses	**617**	334
Tax effect of non-taxable income	**(131)**	(49)
Tax effect of profits entitled to tax redemption in the PRC	**75**	–
Tax effect of prior year's temporary differences recognised this year	**–**	15
Tax effect of unused tax losses not recognised	**825**	1,283
(Over)/under provision in prior years	**(60)**	181
Actual tax (credit)/expense	**(60)**	181

Notes to the Financial Statements

For the year ended 31 December, 2007

8. DEFERRED TAX

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

The group has not recognised deferred tax assets in respect of tax losses of HK$12,048,000 (2006: HK$7,333,000). For the year ended 31 December 2006, no deferred tax assets has been recognised in relation to the above tax losses as it is uncertain that future taxable profit will be available against which the tax losses can be utilised. For the current year ended 31 December 2007, no deferred tax asset has been recognised in relation to the above tax losses as the group planned to dispose of the subsidiary company which is contributes most of the above tax losses.

9. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The assets and liabilities related to Innovis Technology Limited have been presented as held for sale pursuant to a resolution passed on 2 January 2008. The completion date for the transaction was 17 March 2008.

	2007	2006
	HK$'000	*HK$'000*
Operation cash flows	**(116)**	2,953
Investing cash flows	**22**	(13)
Financing cash flows	**69**	(5,706)
Total cash flows	**(25)**	(2,766)

Notes to the Financial Statements

For the year ended 31 December, 2007

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

(a) Non-current assets classified as held for sale

	2007 HK$'000	2006 HK$'000
Property, plant and equipment	29	–
Trade and other receivables	1,979	–
Amount due from related company	1,726	–
Available-for-sale financial assets	917	–
Bank balances and cash	183	–
Assets of IBS solutions business classified as held for sale	4,834	–

(b) Liabilities directly associated with non-currrent assets classified as held for sale

	2007 HK$'000	2006 HK$'000
Trade and other payables	1,191	–
Amount due to a related company	442	–
Amount due to a director	1	–
Amount due to immediate holding company	369	–
Liabilities of IBS solutions business classified as held for sale	2,003	–

Notes to the Financial Statements

For the year ended 31 December, 2007

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

(c) Analysis of the result of discontinued operations, and the result recognised on the remeasurement of assets of the disposal group, is as follows:

	2007 *HK$'000*	2006 *HK$'000*
Loss for the year from discontinued operations		
Revenue and other income	1,969	4,710
Expenses	(6,417)	(11,719)
Loss before tax	(4,448)	(7,009)
Income tax credit (expense)	60	(181)
	(4,388)	(7,190)
Loss on remeasurement to fair value less costs to sell	(450)	–
Loss for the year from discontinued operations	(4,838)	(7,190)

Notes to the Financial Statements

For the year ended 31 December, 2007

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation for property, plant and equipment	**90**	61	**133**	148	**223**	209
Amortisation of lease premium for land	**73**	–	**–**	–	**73**	–
Total depreciation and amortisation	**163**	61	**133**	148	**296**	209
Net foreign exchange loss/(gain)	**12**	(16)	**–**	–	**12**	(16)
Auditor's remuneration	**205**	170	**–**	–	**205**	170
Property, plant and equipment written off	**–**	–	**101**	–	**101**	–
Research and development costs	**–**	–	**381**	514	**381**	514
Operating lease charges on rented premises and equipment	**318**	321	**142**	127	**460**	448
Impairment loss recognised in respect of trade and other receivables	**–**	–	**3,187**	1,700	**3,187**	1,700
Bad debts written off	**–**	–	**–**	3,050	**–**	3,050
Staff cost (including directors' emolument)	**2,458**	1,268	**575**	991	**3,033**	2,259
Staff retirement costs (including directors' emoluments)	**27**	24	**62**	94	**89**	118
	2,485	1,292	**637**	1,085	**3,122**	2,377
Cost of inventories *(note 20(b))*	**9,843**	–	**–**	–	**9,843**	–

Notes to the Financial Statements

For the year ended 31 December, 2007

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders includes a loss of approximately of HK$7,610,000 (2006: HK$8,858,000) 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 2007 (2006: Nil).

13. LOSS PER SHARE

For continuing and discontinued operations

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

	2007 ***HK$'000***	2006 *HK$'000*
Loss:		
Loss for the purpose of calculating basic loss per share (loss for the year attributable to equity holders of the Company)	**(8,107)**	(9,226)

	2007 ***'000***	2006 *'000* (restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**97,570**	56,928

Notes to the Financial Statements

For the year ended 31 December, 2007

13. LOSS PER SHARE *(Continued)*

For continuing and discontinued operations *(Continued)*

Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 10 April 2007, every ten issued and unissued ordinary shares of HK$0.01 each ("Shares") were consolidated into one new ordinary share of HK$0.1 ("New Share") in the capital of the Company with effect from 10 April 2007 (the "Share Consolidation"). Upon the Share Consolidation becoming effective on 10 April 2007, the authorised share capital of the Company became HK$100,000,000 divided into 1,000,000,000 New Shares, of which 67,500,000 New Shares are in issue and fully paid. The New Shares rank pari passu in all respects with each other. The weighted average number of ordinary shares in 2006 for the purposes of calculating the basic and diluted loss per share have been retrospectively adjusted for the ten-to-one Share Consolidation which took place in April 2007.

For continuing operations

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

Loss figures are calculated as follows:

	2007	2006
	HK$'000	*HK$'000*
Loss for the year attributable to equity holders of the Company	**(8,107)**	(9,226)
Less:		
Loss for the year from discontinued operations	**(4,838)**	(7,190)
Loss for the purpose of calculating basic loss per share from continuing operations	**(3,269)**	(2,036)

The denominators used for calculating the loss per share from continuing operations are the same as those detailed above for both basic and diluted loss per share.

For discontinued operations

Basic loss per share for the discontinued operations is HK4.9 cents per share (2006: HK12.6 cents per share) based on the loss for the year from the discontinued operations of HK$4,838,000 (2006: HK$7,190,000) and the denominators detailed above for both basic and diluted loss per share.

The denominators used for calculating the loss per share from discontinued operations are the same as those detailed above for both basic and diluted loss per share.

Notes to the Financial Statements

For the year ended 31 December, 2007

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

Year ended 31 December 2007

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

Note:

i) Resigned on 1 November 2007.

ii) Appointed on 15 January 2008.

iii) Resigned on 15 January 2008.

Notes to the Financial Statements

For the year ended 31 December, 2007

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

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

Year ended 31 December 2006

Name of director	Fees	Basic salaries, allowances and other benefits	Retirement benefits scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Chao Pang Fei	120	–	–	120
Tsang Hon Chung	360	110	22	492
Hui Hongyan	80	–	–	80
Lan Yu Ping	60	–	–	60
Chen Weirong	40	–	–	40
Cheng Yun Ming, Matthew	60	–	–	60
Sin Ka Man	60	–	–	60
	780	110	22	912

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

	2007	2006
	HK$'000	*HK$'000*
Basic salaries, allowances and other benefits	**2,403**	1,426
Pension scheme contributions	**33**	50
	2,436	1,476

Notes to the Financial Statements

For the year ended 31 December, 2007

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

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

	2007	2006
Number of directors	**3**	2
Number of employees	**2**	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:

	2007	2006
HK$Nil to HK$1,000,000	**4**	5
HK$1,000,001 to HK$2,000,000	**1**	–

Notes to the Financial Statements

For the year ended 31 December, 2007

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Computer HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1/1/2006	682	–	463	318	300	1,763
Additions	–	–	13	–	–	13
At 31/12/2006	682	–	476	318	300	1,776
Accumulated depreciation						
At 1/1/2006	205	–	370	200	300	1,075
Charge for the year	136	–	31	42	–	209
At 31/12/2006	341	–	401	242	300	1,284
Net book value						
At 31/12/2006	341	–	75	76	–	492
Cost						
At 1/1/2007	**682**	**–**	**476**	**318**	**300**	**1,776**
Additions	**–**	**55**	**83**	**28**	**151**	**317**
Reclassified as held for sale	**–**	**–**	**(418)**	**(259)**	**–**	**(677)**
Disposals	**(504)**	**–**	**–**	**–**	**(300)**	**(804)**
At 31/12/2007	**178**	**55**	**141**	**87**	**151**	**612**
Accumulated depreciation						
At 1/1/2007	**341**	**–**	**401**	**242**	**300**	**1,284**
Charge for the year	**136**	**–**	**37**	**29**	**21**	**223**
Reclassified as held for sale	**–**	**–**	**(403)**	**(245)**	**–**	**(648)**
Written back on disposals	**(403)**	**–**	**–**	**–**	**(300)**	**(703)**
At 31/12/2007	**74**	**–**	**35**	**26**	**21**	**156**
Net book value						
At 31/12/2007	**104**	**55**	**106**	**61**	**130**	**456**

Notes to the Financial Statements

For the year ended 31 December, 2007

16. LEASE PREMIUM FOR LAND

	2007 HK$'000	2006 HK$'000
Cost		
At 1 January	–	–
Additions	3,500	–
Exchange adjustments	133	–
At 31 December	3,633	–
Accumulated amortisation		
At 1 January	–	–
Amortisation	70	–
Exchange adjustments	3	–
At 31 December	73	–
Net carrying amount		
At 31 December	3,560	–
Outside Hong Kong, held on:		
Medium-term lease (leases of between 10 to 50 years)	3,560	–
Analysed for reporting purposes as:		
Current asset	73	–
Non-current asset	3,487	–
	3,560	–

17. CONSTRUCTION-IN-PROGRESS

	2007 HK$'000	2006 HK$'000
At 1 January	–	–
Additions	3,127	–
At 31 December	3,127	–

Notes to the Financial Statements

For the year ended 31 December, 2007

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**8,688**	8,688
Amounts due from subsidiaries	**33,807**	15,613
	42,495	24,301
Less: Impairment loss	**(16,437)**	(11,598)
Less: Reclassified to non-current assets held for sale	**(2,831)**	–
	23,227	12,703

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

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

Notes to the Financial Statements

For the year ended 31 December, 2007

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Details of the Company's major subsidiaries as at 31 December 2007 are as follows:

Name	Country/ place of incorporation/ establishment	Country/ place of operation	Principal activities	Issued and fully paid share capital	Interests held Directly	Interests held Indirectly
Loyal Pacific International Limited	Hong Kong	Hong Kong	Trading in securities	HK$10,000	100%	–
Innovis (IB) Limited	British Virgin Islands (BVI)	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%
Great Prospect Enterprises Limited	BVI	Hong Kong	Investment holding	US$100	100%	–
Topgoal Investment Development Limited	Hong Kong	Hong Kong	Investment holding	HK$1	–	100%
合肥啟鵬紙制品有限公司 *(Note)*	People's Republic of China (the "PRC")	PRC	Sale of packaging materials	RMB14,000,000	–	100%

Note: It is a wholly-foreign-owned enterprise established in the PRC to be operated for 10 years up to November 2016.

Notes to the Financial Statements

For the year ended 31 December, 2007

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Unlisted:		
Available-for-sale financial assets, at fair value		
At 1 January	**859**	767
Fair value change during the year	**58**	92
Reclassified to a disposal group held for sale *(Note 9(a))*	**(917)**	–
At 31 December	**–**	859

20. INVENTORIES

a) Inventories in the balance sheet comprises:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	**136**	–
Work-in-progress	**36**	–
Finished goods	**41**	–
	213	–

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

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**9,843**	–

Notes to the Financial Statements

For the year ended 31 December, 2007

21. HELD-TO-MATURITY DEBT SECURITIES

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Unlisted debt securities in Hong Kong, at cost	–	49
Market value	–	49

22. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Retention money receivables	–	596	–	–
Trade receivables	**9,393**	2,802	–	–
Bills receivables	**561**	–	–	–
	9,954	3,398	–	–
Prepayments relating to very substantial acquisition	**2,144**	–	**2,144**	–
Prepayments, deposits and other receivables	**2,926**	2,663	–	51
	15,024	6,061	**2,144**	51
Portion classified as current assets	**(15,024)**	(5,498)	(2,144)	(51)
Non-current portion (Retention money receivables)	–	563	–	–

Notes to the Financial Statements

For the year ended 31 December, 2007

22. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Within 3 months	**4,316**	218
Over 3 months but within 6 months	**5,638**	6
Over 6 months but within 1 year	**–**	432
Over 1 year	**–**	5,982
	9,954	6,638
Less: Impairment loss on trade receivables	**–**	(3,240)
	9,954	3,398

b) The normal credit period granted to the customers of the Group is 60 to 90 days (2006: 60 to 90 days). Impairment loss on trade receivables was made and thereafter written off when collection of full amount was no longer probable. Bad debts are written off as incurred.

c) Included in trade and bills receivables in the balance sheet are mainly the following amounts denominated in a currency other than the functional currency of the Company to which they relate:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Renminbi ("RMB")	**9,311**	–

Notes to the Financial Statements

For the year ended 31 December, 2007

22. TRADE AND OTHER RECEIVABLES *(Continued)*

d) The movement of impairment loss on trade receivables is as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
At 1 January	**3,240**	1,540
Impairment loss on trade recognised during the year	**2,687**	1,700
Reclassified as held for sale	**(5,927)**	–
At 31 December	**–**	3,240

e) Trade debtors and bills receivables that are not impaired

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

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Neither past due nor impaired	**4,546**	218
Less than 3 month past due	**5,408**	6
3 months to 1 year past due	**–**	432
Over 1 year past due	**–**	5,982
	5,408	6,420
	9,954	6,638

Notes to the Financial Statements

For the year ended 31 December, 2007

22. TRADE AND OTHER RECEIVABLES *(Continued)*

e) Trade debtors and bills receivables that are not impaired *(Continued)*

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

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

23. PLEDGED TIME DEPOSITS

In 2006, the amount represents deposits pledged to a bank to secure banking facilities granted to the Group. In 2007, all deposits were released from charge and there was no pledged deposits at the balance sheet date.

In 2006, the pledged time deposits carried interest at prevailing market rate. As at the balance sheet date in 2006, the directors considered the carrying value of the pledged time deposits approximated its fair value.

Notes to the Financial Statements

For the year ended 31 December, 2007

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Short–term time deposits	**–**	136	**–**	–
Cash at bank and in hand	**15,823**	6,281	**7,420**	1,756
Cash and cash equivalents in the balance sheet	**15,823**	6,417	**7,420**	1,756
Cash and cash equivalents included in a disposal group held for sale *(Note 9(a))*	**183**	–	**–**	–
Cash and cash equivalents in the consolidated cash flow statement	**16,006**	6,417	**7,420**	1,756

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

Included in the cash and cash equivalents are the following amounts denominated in currencies other than functional currency of the entity to which they relate:

	The Group		The Company	
	2007	2006	**2007**	2006
	'000	*'000*	***'000***	*'000*
Renminbi ("RMB")	**RMB318**	RMB1,453	**–**	–
United States dollars	**US$3**	US$164	**–**	–

Notes to the Financial Statements

For the year ended 31 December, 2007

25. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**4,485**	1,118	**–**	–
Payable for lease premium for land	**1,090**	–	**–**	–
Other payables	**1,353**	1,005	**1,336**	491
Financial liabilities measured at amortised cost	**6,928**	2,123	**1,336**	491

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

	2007	2006
	HK$'000	*HK$'000*
Within 3 months	**741**	42
Over 3 months but within 6 months	**3,744**	24
Over 6 months but within 1 year	**–**	16
Over 1 year	**–**	1,036
	4,485	1,118

26. AMOUNT DUE TO A DIRECTOR/A RELATED COMPANY

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

Notes to the Financial Statements

For the year ended 31 December, 2007

27. SHARE CAPITAL

	Note	2007 No. of shares	2007 HK$'000	2006 No. of shares	2006 HK$'000
Authorised:					
At beginning of the year:					
Ordinary shares of					
HK$0.01 each		10,000,000,000	100,000	10,000,000,000	100,000
Share consolidation	(a)	(9,000,000,000)	–	–	–
At end of the year:					
Ordinary shares of					
HK$0.1 each					
(2006: HK$0.01) each		1,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid:					
At beginning of the year		675,000,000	6,750	375,000,000	3,750
Issue of one rights					
share for every two					
existing shares		–	–	187,500,000	1,875
Placing of new shares		–	–	112,500,000	1,125
Share consolidation	(a)	(607,500,000)	–	–	–
Issue of one rights					
share for every two					
existing shares	(b)	33,750,000	3,375	–	–
Placing of new shares	(c)	20,250,000	2,025	–	–
At end of the year		121,500,000	12,150	675,000,000	6,750

Notes to the Financial Statements

For the year ended 31 December, 2007

27. SHARE CAPITAL *(Continued)*

Note:

a) By a special resolution passed on 10 April 2007, the following changes became effective on 11 April 2007:

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

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

b) The Company issued 33,750,000 shares at a subscription price of HK$0.3 each in the capital of the Company, by way of rights issue in the proportion of one rights share for every two existing shares to the shareholders whose names on the Company's register at the close of business on 30 March 2007. The transaction was completed on 10 April 2007. The net proceeds of approximately HK$9.4million, were used as to HK$8 million to fund the construction of production plant and purchase of machinery and equipment and HK$1.4 million as working capital for the operation of such plant.

c) The Company on 30 July 2007 has entered into the conditional Placing Agreement, to place a maximum of 20,250,000 New Shares at a price of HK$0.92 per Share.

The completion of the Placing took place on 17 August 2007 where a total of 20,250,000 Placing Shares at a price of HK$0.92 per Share were placed out by the Placing Agent to six independent individual, institutional, other professional and/or private placees.

The Placing Price represents (i) a discount of about 9.80% to the closing price of HK$1.02 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of about 19.72% to the average closing price per Share of HK$1.146 as quoted on the Stock Exchange for the last five full trading days up to the Last Trading Day; and (iii) a discount of about 19.16% to the average closing price per Share of HK$1.138 as quoted on the Stock Exchange for the last ten full trading days up to the Last Trading Day.

The net proceeds from the Placing of about HK$18.3 million, representing approximately HK$0.90 per Share, was to be used as general working capital of the Group. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 10 May 2007 and rank pari passu with other shares in issue in all respects.

Notes to the Financial Statements

For the year ended 31 December, 2007

28. SHARE OPTION SCHEME

An Pre-IPO share option were cancelled on 3 October 2005 immediately upon the closing of mandatory unconditional cash offer by Haijing Holdings Limited. No new share option scheme is adopted since then.

29. 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$89,000 (2006: HK$118,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

30. 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

	2007	2006
	HK$'000	*HK$'000*
Discontinued operations:		
Reimbursement of office rentals, utilities and certain administrative expenses from Wah Lam Building Materials Limited ("WLBM")	–	(44)
Office rentals, utilities and certain administrative expenses paid to WLBM	–	199

Mr. Tsang Hon Chung, an ex-director of the Company, is a director and beneficial shareholder of WLBM.

Notes to the Financial Statements

For the year ended 31 December, 2007

30. RELATED PARTY TRANSACTIONS *(Continued)*

b) Related party transactions included in the balance sheet

	2007	2006
	HK$'000	*HK$'000*
Amount due from Education Solutions Provider Limited (included in a disposal group held for sale *(Note 9(a))*)	**1,726**	8
Amount due to WLBM (included in a disposal group held for sale *(Note 9(b))*)	**(442)**	(442)

Mr. Tsang Hon Chung, an ex-director of the Company, is a director and beneficial shareholder of Education Solutions Provider Limited.

c) Compensation of key management personnel of the Group

	2007	2006
	HK$'000	*HK$'000*
Short-term employee benefits	**480**	590
Post-employment benefits	**16**	22
	496	612

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

Notes to the Financial Statements

For the year ended 31 December, 2007

31. BANKING FACILITIES

As at 31 December 2007, no banking facilities was granted to the Group. (2006: HK$5,000,000 secured by the corporate guarantee provided by the Company and the time deposits of the Group (note 23)).

32. 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:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**260**	381
In the second to fifth year, inclusive	**–**	266
	260	647

Notes to the Financial Statements

For the year ended 31 December, 2007

33. CAPITAL COMMITMENTS

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

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Contracted but not provided for		
(a) property, plant and equipment	**3,285**	3,360
(b) Acquisition of subsidiaries		
– Dragon Vault International Limited *(note 35(a))*	**7,000**	–
– Wisdom Sun International Limited *(note 35(b))*	**171,966**	–
Contracted but not provided for	**182,251**	3,360

34. ULTIMATE HOLDING COMPANY AND CONTROLLING PARTY

As at 31 December 2007, the directors regard Haijing Holdings Limited, a company incorporated in the 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.

Notes to the Financial Statements

For the year ended 31 December, 2007

35. POST BALANCE SHEET EVENTS

Acquisitions

a) Subsequent to 31 December 2007, the Group completed its negotiations with Mr. Chao, the Group's chairman and the controlling shareholder, for the acquisition of 100% of Dragon Vault International Limited. The transaction was completed on 2 January 2008 and the acquisition cost of HK$7,000,000 was satisfied in cash. Details of the acquisition are set out in the Group's announcements dated 21 November 2007 and 2 January 2008 and the Group's circular dated 17 December 2007.

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

	Carrying amount of acquiree's net assets before combination *HK$'000*	**Fair value adjustments** *HK$'000*	**Fair value** *HK$'000*
Net assets acquired:			
Property, plant and equipment	48	–	48
Lease premium for land	3,922	1,818	5,740
Construction-in-progress	6,328	–	6,328
Prepayment, deposits and other receivables	3,517	–	3,517
Cash and cash equivalents	56	–	56
Trade and other payables	(58)	–	(58)
Amount due to a director	(10)	–	(10)
Amount due to a related company	(8,679)	–	(8,679)
	5,124	1,818	6,942
Less: Minority interests (35%)			(1,157)
			5,785
Goodwill			1,215
Total consideration, satisfied by cash		*(note 33)*	7,000
Net cash outflow arising on acquisition:			
Cash consideration paid			(7,000)
Cash and cash equivalents acquired			56
			(6,944)

Notes to the Financial Statements

For the year ended 31 December, 2007

35. POST BALANCE SHEET EVENTS *(Continued)*

Acquisition *(Continued)*

b) Subsequent to 31 December 2007, the Group completed its negotiations with Ms. Sam Mei Wa, the spouse of Mr. Chao, for the acquisition of 100% of Wisdom Sun International Limited. The transaction was completed on 4 January 2008 and the acquisition cost of HK$171,965,517 was satisfied by (i) HK$38,000,000 in cash and (ii) HK$133,965,517 by the allotment and issue of 120,689,655 Wisdom Sun Consideration Shares at an issue price of HK$1.11 each by the Company to Haijing Holdings Limited. Details of the acquisition are set out in the Group's announcement dated 21 November 2007 and 2 January 2008 and Group's circular dated 17 December 2007.

	Carrying amount of acquiree's net assets before combination HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment	65,125	–	65,125
Lease premium for land	831	10,843	11,674
Construction-in-progress	1,660	–	1,660
Inventories	14,576	–	14,576
Trade and other receivables	121,324	–	121,324
Cash and cash equivalents	5,253	–	5,253
Trade and other payables	(103,099)	–	(103,099)
Dividend payable	(12,336)	–	(12,336)
	93,334	10,843	104,177
Goodwill			67,789
			171,966
Total consideration, satisfied by:			
Cash			38,000
Issue of shares			133,966
		(note 33)	171,966
Net cash outflow arising on acquisition:			
Cash consideration paid			(38,000)
Cash and cash equivalents acquired			5,253
			(32,747)

Notes to the Financial Statements

For the year ended 31 December, 2007

35. POST BALANCE SHEET EVENTS *(Continued)*

Disposal

Subsequent to 31 December 2007, the Group completed its negotiations with Mr. Andy Lam for the disposal of 100% interest in Innovis Technology Limited. The transaction was completed on 17 March 2008 and the disposal consideration of HK$50,000 was satisfied in cash.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

a) Credit risk

i) As at 31 December 2007, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets after deducting any impairment allowance.

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

Notes to the Financial Statements

For the year ended 31 December, 2007

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

a) Credit risk *(Continued)*

iii) In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the balance sheet date, the Group has concentration of credit risk as 99.6% (2006: 70.6%) of the total trade and other receivables being due from the Group's largest customer within the packaging material business segment.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 22.

b) Liquidity risk

The Group aims to finance its operations with its own capital and did not have any borrowings or credit facilities utilised for the years ended 31 December 2006 and 2007. Management considers that the Group does not have significant liquidity risk. As of the respective balance sheet dates, the trade and other payables of the Group were all due or settled contractually within 1 year.

c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group has no interest-bearing liabilities, the Group's expenses and financing cash flows are independent of changes in market interest rates.

The Group is exposed to interest rate risk as its bank deposits are all interest-bearing. All bank deposits are short-term deposits with maturities less than or equal to three months. Management does not anticipate any significant impact resulting from the change in interest rates because there was no bank deposit as at 31 December 2007.

Notes to the Financial Statements

For the year ended 31 December, 2007

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

d) Currency risk

Presently, there is no hedging policy with respect to the Group's foreign exchange exposure. The Group's transactional currency is mainly RMB as substantially most of the turnover are in RMB. The Group's transactional foreign exchange exposure was insignificant.

i) *Exposure to currency risk*

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	2007	2006
	RMB'000	*RMB'000*
Cash and cash equivalents	**318**	1,453
Overall exposure arising from recognised assets and liabilities	**13,423**	–

Notes to the Financial Statements

For the year ended 31 December, 2007

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

d) Currency risk *(Continued)*

ii) Sensitivity analysis

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

The Group

	2007		2006	
	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses *HK$'000*	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses *HK$'000*
RMB	3%	441	3%	44
	(3%)	(441)	(3%)	(44)

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

Notes to the Financial Statements

For the year ended 31 December, 2007

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

d) Currency risk *(Continued)*

ii) Sensitivity analysis *(Continued)*

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollars and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollars against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' loss after tax measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2006.

e) Fair values

The fair values of cash and cash equivalents, bank deposits, debtors, other receivables, trade and other payables are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair value of financial assets traded on active liquid markets are determined with reference to listed market prices. The carrying amounts of bank loans and loans from the ultimate holding company approximate their fair values.

f) Estimation of fair values

Fair value of securities is based on listed market price at the balance sheet date without any deduction for transaction costs.

Notes to the Financial Statements

For the year ended 31 December, 2007

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

g) Capital management

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

The net debt-to-equity ratio at 31 December 2007 and 2006 was as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current liabilities:				
Trade and other payables	**6,928**	2,123	**1,336**	491
Amount due to a director	**–**	152	**–**	–
Amount due to a related company	**–**	442	**–**	–
	6,928	2,717	**1,336**	491
Liabilities associated with assets classified as held for sale	**2,003**	–	**2,003**	–
Total debt	**8,931**	2,717	**3,339**	491
Less: Cash and cash equivalents	**(16,006)**	(6,417)	**(7,420)**	(1,756)
Net debt	**(7,075)**	(3,700)	**(4,081)**	(1,265)
Total equity	**34,106**	13,597	**34,286**	14,019
Net debt-to-equity ratio	**-21%**	-27%	**-12%**	-9%

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

Notes to the Financial Statements

For the year ended 31 December, 2007

37. COMPARATIVE FIGURES

As a result of adopting HKFRS 7, Financial instruments: Disclosures, and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these developments are disclosed in note 2(b).

In additions, certain comparative figures have also been adjusted to confirm with the disclosure requirements as result of adopting HKFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

Financial Summary

For the year ended 31 December, 2007

Results

	At 31 December				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS	**7,070**	1,914	2,728	2,848	1,140
CURRENT ASSETS	**35,967**	14,400	21,723	27,802	25,147
DEDUCT:					
CURRENT LIABILITIES	**8,931**	2,717	10,712	7,102	3,543
NET CURRENT ASSETS	**27,036**	11,683	11,011	20,700	21,604
NON-CURRENT LIABILITIES	**–**	–	–	(833)	(49)
NET ASSETS	**34,106**	13,597	13,739	22,715	22,695

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)			
Turnover	**11,452**	–	19,428	26,079	23,976
(Loss)/profit for the year from continuing operations	**(3,269)**	(2,036)	(8,744)	20	703
(Loss)/profit for the year from discontinued operations	**(4,838)**	(7,190)	–	–	–
	(8,107)	(9,226)	(8,744)	20	703

Major land held by the company

Location	Existing use	Term of lease
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, HefeiCity,Anhui Province, the PRC	Industrial	50 years, Medium Term