2006

ANNUAL REPORT 2006

中國海景控股有限公司

Sino Haijing Holdings Limited

(Stock Code : 8065)

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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)*
Ms. Hui Hongyan
Mr. Tsang Hon Chung

NON-EXECUTIVE DIRECTOR

Mr. Lan Yu Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Weirong
Mr. Cheng Yun Ming, Matthew
Mr. Sin Ka Man

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2412, 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. Chen Weirong
Mr. Cheng Yun Ming, Matthew
Mr. Sin Ka Man

CAYMAN ISLANDS REPRESENTATIVE

Conyers Dill & Pearman, Cayman

AUDITORS

CCIF CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hong Kong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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 46, had worked in the sales department of an electronic company in Shenzhen and as a manager in a company in Zhuhai engaging in the PRC and Hong Kong trading business during the period from 1980 to 1998. From 1998 to July, 2005, Mr. Chao worked as the general manager of an investment company in Shenzhen responsible for its investment planning and overall operation. From 2002 onwards, Mr. Chao became the president of an investment company incorporated in the British Virgin Islands and is principally engaged in investment in several packaging materials companies in the PRC. As at the Latest Practicable Date, Mr. Chao was beneficially interested in approximately 51.22% of the issued share capital of the Company within the meaning of Part XV of SFO. Mr. Chao did not hold any directorship in any other listed public companies in the last three years before the Latest Practicable Date.

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

Mr. Tsang Hon Chung, aged 46, is an executive Director and a co-founder of the Group. He has over 21 years of experience in the industry of electronics systems, including six years of experience in system design, planning and project management of building intelligence. Mr. Tsang holds a higher certificate in electronic engineering, a certificate in satellite communications – technology and applications from the Hong Kong Polytechnic University and a diploma in e-Management for executives from the Hong Kong Productivity Council.

NON-EXECUTIVE DIRECTOR

Mr. Lan Yu Ping, aged 43, 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 11 years of experience in finance and investment fields. Currently, Mr. Lan does not have any interest in the securities of the Company within the meaning of Part XV of SFO and he did not hold any directorship in any other listed public companies in the last three years before the Latest Practicable Date.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Wei Rong, aged 47, is the President of 深圳宇陽科技發展有限公司 (Eyang Technology Development Co., Ltd.) ("Eyang"). Prior to joining Eyang, Mr. Chen served as Vice-President (Operation), Chief Executive Officer and Vice-President of the board of directors of 康佳集團 (Konka Group). Mr. Chen also served as Vice-President of 中國華僑城集團 (China Oct Group). Mr. Chen is a senior engineer who graduated from 中國華南理工大學 (South China University of Technology) in 1982. In 1996, he received recognition as one of the 十大傑出青年企業家 (Top Ten Outstanding Young Enterprises) in Shenzhen as well as one of the 中國經營管理大師 (China Master of Operation And Management) in 1996. Mr. Chen was awarded a 全國五一勞動獎章 (National Labor Medal) in 1997, and he served as an elected representative of the Ninth National People's Congress in 1998. Mr. Chen currently serves as an independent non-executive director of China Photar Electronics Group Limited, a company listed on GEM.

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

Mr. Sin Ka Man, aged 39, has over 15 years of professional experience in auditing, accounting and financial management for both private and listed corporations. He is an associate member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a certified practising accountant of the CPA Australia. Mr. Sin is currently an Assistant General Manager who is responsible for the accounting and financial management of China Velocity Group Limited, a company listed on the Main Board of the Stock Exchange. Mr. Sin holds a bachelor degree in Social Sciences from the University of Hong Kong, a master degree in Finance from the University of Strathclyde, the United Kingdom and a master degree in accounting from Curtin University of Technology, Australia.

SENIOR MANAGEMENT

Ms. Choi Yuen Wa, aged 39, 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 thirteen years of experience in the field of auditing, accounting and financial management.

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 31st December, 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

BUSINESS REVIEW

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

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

BUSINESS OUTLOOK

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

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2006, the Group had net current assets of approximately HK$11,683,000 (2005: HK$11,011,000) of which approximately HK$2,376,000 and HK$6,417,000 (2005: approximately HK$1,526,000 and HK$3,087,000) were pledged bank deposits and cash and cash equivalents respectively. The Directors are confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

EMPLOYEES

As at 31st December, 2006, the Group had a total of around 14 (2005: 17) staff based in PRC and Hong Kong. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

CAPITAL STRUCTURE

As at 31st December, 2006, the Group's net assets were financed by internal resources through share capital and reserves. Total equity attributable to shareholders was approximately HK$13,597,000 as at 31st December, 2006, representing a decrease of approximately 1% over last year.

SIGNIFICANT INVESTMENTS

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

CAPITAL COMMITMENT

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

MATERIAL ACQUISITIONS AND DISPOSALS/ FUTURE PLANS FOR MATERIAL INVESTMENTS

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

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

PLEDGE OF ASSETS OF THE GROUP

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

CONTINGENT LIABILITIES

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

GEARING RATIO

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

HEDGING

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

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to all our shareholders, investors and business partners for their continued support and confidence in the Group. I would also like to thank the management team and all staff members for their valued service and commitment in the past year.

Last, but not least, I would like to thank my fellow directors who have offered invaluable advice and leadership during such a challenging year.

For and on behalf of the Board

Chao Pang Fei
Executive Director

Hong Kong, 6th March, 2007

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 31st December, 2006.

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 16 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	48%	
Five largest customers in aggregate	91%	
The largest supplier		36%
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 7 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 24.

The state of affairs of the Group and the Company as at 31st December, 2006 are set out in the consolidated balance sheet on page 25 and the balance sheet on page 26, respectively.

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

REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31st December, 2006 and of the assets and liabilities as at 31st December, 2002, 2003, 2004, 2005 and 2006 is set out on page 64.

CHARITABLE DONATIONS

The Group made charitable donations during the year amounted to HK$2,800 (2005: HK$6,250).

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 25 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 27 to 28.

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*
Ms. Hui Hongyan
Mr. Tsang Hon Chung

Non-executive Director
Mr. Lan Yu Ping

Independent non-executive Directors
Mr. Chen Weirong
Mr. Cheng Yun Ming, Matthew
Mr. Sin Ka Man

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

Mr. Tsang Hon Chung has entered into service contracts with the Company for a fixed term of two years commencing from 1st November, 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 31st December, 2006 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 in note 28 to the financial statements, no other contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31st December, 2006, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong) ("SFO"), which will have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in the shares of the Company

Name of Director	Type of interests	Number of securities	Approximate percentage of shareholding
Mr. Chao Pang Fei ("Mr. Chao")	Interest of a controlled corporation	345,729,000 shares *(Note)*	51.22%

Note:

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

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

Save as disclosed herein, as at 31st December, 2006, none of the Directors or chief executives of the Company has short positions in the shares, underlying shares of equity derivatives of the Company or any of its associated corporations.

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

So far as is known to any Director or chief executive of the Company, as at 31st December, 2006, persons (not being a Director or chief executive of the Company) who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

(a) Long positions in the shares of the Company

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

Note:

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

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

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

COMPETING INTERESTS

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the company and the group as at 31st December, 2006 are set out in note 23, to the financial statements.

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

THE BOARD

Responsibilities

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

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

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

Composition

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

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

Executive Directors:
Mr. Chao Pang Fei *(Chairman)*
Ms. Hui Hongyan
Mr. Tsang Hon Chung

Non-executive Director:
Mr. Lan Yu Ping

Independent non-executive directors:
Mr. Chen Weirong *(Chairman of Audit Committee and Remuneration Committee)*
Mr. Cheng Yun Ming, Matthew *(member of Audit Committee and Remuneration Committee)*
Mr. Sin Ka Man *(member of Audit Committee and Remuneration Committee)*

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

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

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

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

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

Board and Board Committees Meetings

Number of Meetings and Directors' Attendance

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

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

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

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

Practices and Conduct of Meetings

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

Code Provision A.1.3 stipulates that at least 14 days' notice should be given for a regular Board meeting. During the year ended 31st December, 2006, less than 14 days' notice was given for two regular Board meetings in order to suit the tight and busy schedules of the directors. For other Board and committee meetings, reasonable notices are generally given.

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

BOARD COMMITTEES

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

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

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

Remuneration Committee

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

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

Audit Committee

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

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Required Standard of Dealings throughout the year ended 31st December, 2006.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 22 to 23.

AUDITORS' REMUNERATION

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

INTERNAL CONTROLS

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

SHAREHOLDER RIGHTS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's articles of association. Details of such rights to demand a poll were included in the circular to shareholders in relation to the holding of 2006 annual general meeting and explained during the proceedings of the meeting.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board Committee attended the 2006 annual general meeting to answer questions at the meeting.

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

AUDITORS

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

On behalf of the board

Chao Pang Fei
Chairman
Hong Kong, 6th March, 2007

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

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

We have audited the consolidated financial statements of Sino Haijing Holdings Limited (the "company") set out on pages 24 to 63 which comprise the consolidated and company balance sheets as at 31st December, 2006, and the consolidated income statement, the 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 the 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.

AUDITOR'S RESPONSIBILITY *(Continued)*

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 31st December, 2006 and of the group's loss 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, 6 March, 2007

Kwok Cheuk Yuen
Practising Certificate Number P02412

CONSOLIDATED INCOME STATEMENT

(For the year ended 31st December, 2006)

	Note	2006 HK$'000	2005 HK$'000
Turnover	5	**4,511**	19,428
Cost of Sales		**(4,228)**	(19,004)
Gross Profit		**283**	424
Other Revenue	5	**583**	257
Administrative and Other Operating Expenses		**(9,872)**	(9,270)
Loss from Operations		**(9,006)**	(8,589)
Finance Costs	6	**(39)**	(155)
Loss Before Taxation	8	**(9,045)**	(8,744)
Taxation	9	**(181)**	–
Loss for the year		**(9,226)**	(8,744)
Attributable to:			
Equity holders of the Company	11	**(9,226)**	(8,744)
Dividends	12	**–**	–
Loss Per Share	13		
– Basic		**(1.6) cents**	(2.3) cents
– Diluted		**N/A**	N/A

The notes on pages 31 to 63 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

(As at 31st December, 2006)

	Note	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**492**	688
Available-for-sale financial assets	17	**859**	767
Held-to-maturity debt securities	18	**–**	49
Retention money receivable		**563**	1,224
		1,914	2,728
CURRENT ASSETS			
Held-to-maturity debt securities	18	**49**	–
Tax recoverable		**60**	264
Prepayment, deposits and other receivables		**2,663**	2,305
Trade receivables	19	**2,802**	14,404
Retention money receivable		**33**	137
Pledged time deposits	20	**2,376**	1,526
Cash and cash equivalents	21	**6,417**	3,087
		14,400	21,723
CURRENT LIABILITIES			
Bills payable, unsecured		**–**	4,873
Trade payables	22	**1,118**	3,002
Other payables and accruals		**1,005**	918
Secured bank loan	23	**–**	833
Amount due to a director	24	**152**	1,026
Amount due to a related company	24	**442**	60
		2,717	10,712
NET CURRENT ASSETS		**11,683**	11,011
NET ASSETS		**13,597**	13,739
CAPITAL AND RESERVES			
Issued capital	25	**6,750**	3,750
Reserves		**6,847**	9,989
TOTAL EQUITY		**13,597**	13,739

Approved and authorised for issue by the board of directors on 6th March, 2007

On behalf of the board

Chao Pang Fei
Director

Hui Hong Yan
Director

The notes on pages 31 to 63 form an integral part of these financial statements.

BALANCE SHEET

(As at 31st December, 2006)

	Note	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	16	**12,703**	14,616
CURRENT ASSETS			
Prepayment		**51**	–
Cash and cash equivalents	21	**1,756**	84
		1,807	84
CURRENT LIABILITIES			
Amount due to a subsidiary	24	**–**	490
Amount due to a director	24	**–**	29
Other payables and accruals		**491**	296
		491	815
NET CURRENT ASSETS/(LIABILITIES)		**1,316**	(731)
NET ASSETS		**14,019**	13,885
CAPITAL AND RESERVES			
Issued capital	25	**6,750**	3,750
Reserves		**7,269**	10,135
TOTAL EQUITY		**14,019**	13,885

Approved and authorised for issue by the board of directors on 6th March, 2007

On behalf of the board

Chao Pang Fei
Director

Hui Hong Yan
Director

The notes on pages 31 to 63 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

(For the year ended 31st December, 2006)

Group

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

STATEMENTS OF CHANGES IN EQUITY

(For the year ended 31st December, 2006)

Company

	Issued capital HK$'000	Share premium HK$'000	Contributed surplus (b) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1/1/2005	3,750	8,672	8,467	(1,489)	19,400
Net loss for the year	–	–	–	(5,515)	(5,515)
At 31/12/2005 and 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	**6,750**	**14,664**	**8,467**	**(15,862)**	**14,019**

Notes:

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

b) Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the company reorganisation in 2003. Under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The company's reserves as at 31st December, 2006 available for distribution to shareholders are approximately HK$Nil (2005: HK$1,463,000).

The notes on pages 31 to 63 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(For the year ended 31st December, 2006)

	Note	2006 HK$'000	2005 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(9,045)**	(8,744)
Adjustments for:			
Bank deposits pledged for banking facilities		**(850)**	(515)
Interest expenses		**25**	119
Interest income		**(148)**	(18)
Depreciation		**209**	187
Bad debts written off		**3,050**	1,678
Impairment loss of			
– trade and retention money receivables		**1,700**	–
– other receivables		–	2,837
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES		**(5,059)**	(4,456)
Decrease in trade receivables		**7,783**	759
Decrease in amount due from ultimate holding company		**–**	4
(Increase)/decrease in retention money receivables		**(166)**	227
Increase in prepayment, deposits and other receivables		**(358)**	(747)
(Decrease)/increase in trade payables		**(1,884)**	497
Increase/(decrease) in other payables and accruals		**87**	(698)
(Decrease)/increase in amount due to a director		**(874)**	1,026
Increase/(decrease) in amount due to a related company		**382**	(36)
CASH USED IN OPERATIONS		**(89)**	(3,424)
Hong Kong profits tax refunded		**23**	95
NET CASH USED IN OPERATING ACTIVITIES		**(66)**	(3,329)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sales proceeds for investment in held-to-maturity debt securities		**–**	300
Purchase of property, plant and equipment		**(13)**	(341)
Interest received		**148**	18
NET CASH GENERATED FROM/ (USED IN) INVESTING ACTIVITIES		**135**	(23)

CONSOLIDATED CASH FLOW STATEMENT

(For the year ended 31st December, 2006)

	Note	2006 HK$'000	2005 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal repayment of obligation under finance lease		**–**	(45)
Net proceeds from rights issue of shares		**3,685**	–
Net proceeds from placing of shares		**5,307**	–
Repayment of secured bank loan		**(833)**	(2,500)
Interest paid		**(25)**	(119)
(Decrease)/increase in bills payable, unsecured		**(4,873)**	4,533
NET CASH GENERATED FROM FINANCING ACTIVITIES		**3,261**	1,869
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,330**	(1,483)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**3,087**	4,570
CASH AND CASH EQUIVALENTS AT END OF YEAR	21	**6,417**	3,087

The notes on pages 31 to 63 form an integral part of these financial statements.

1. BASIS OF PREPARATION

a) GENERAL INFORMATION

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

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

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

b) BASIS OF CONSOLIDATION

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

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

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

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

2. 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 of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the group is set out below.

The consolidated financial statements of the company have been prepared in accordance with HKFRS and under the historical cost convention, except for the available-for-sale financial assets that have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

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

HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	Net investment in a foreign operation
HKAS 39 (Amendment)	The fair value option
HKFRS – Int4	Determining whether an arrangement contains a lease

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 31st December, 2006 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 company's results of operations and financial position.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

a) STATEMENT OF COMPLIANCE *(Continued)*

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

	Effective for accounting periods beginning on or after
HKFRS 7, Financial instruments: disclosures	1st January, 2007
Amendment to HKAS 1, Presentation of financial statements: capital disclosures	1st January, 2007

b) 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 goods*

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

iii) *Interest income*

Interest income is recognised 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

c) OTHER INVESTMENTS IN DEBT AND EQUITY SECURITIES

The group's and the company's policies for investments in debt and equity securities, other than investments in subsidiaries, 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(f)).

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

d) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Leasehold improvement	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.

e) OPERATING LEASE CHARGES

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

f) IMPAIRMENT OF ASSETS

i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the 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 and other current 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.

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

– For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. 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 amortisation) 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 in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

f) 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; and

– investments in subsidiaries

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

– 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).

– Recognition of impairment losses

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

f) IMPAIRMENT OF ASSETS *(Continued)*

ii) Impairment of other assets (Continued)

– 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 the income statement in the year in which the reversals are recognised.

iii) Interim financial reporting and impairment

Under the GEM Listing Rules, 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 notes 2(f) (i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted 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.

g) SUBSIDIARIES

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

g) SUBSIDIARIES *(Continued)*

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

h) RELATED PARTIES

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

i) TRADE AND OTHER RECEIVABLES

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

j) 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.

k) CASH AND CASH EQUIVALENTS

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

l) PROVISIONS AND CONTINGENT LIABILITIES

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

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

m) 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

m) INCOME TAX *(Continued)*

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.

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.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

m) INCOME TAX *(Continued)*

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

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

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

  – the same taxable entity; or

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

n) TRANSLATION OF FOREIGN CURRENCIES

Functional and presentation currency

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

Transactions and balances

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

n) 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.

o) 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

p) SEGMENT REPORTING

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

In accordance with the group's internal financial reporting, the group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

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

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

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

q) 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

r) RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred, except where the product or process is clearly defined and the 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 product 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. FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

i) Foreign currency risk

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

ii) Credit risk

The group has no significant concentrations of credit risk. The group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the top management of the group has been closely involved in the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the group review the recoverable amount of each individual trade debts at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the company consider that the group's credit risk is significantly reduced.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

iii) Liquidity risk

Individual operating entities within the group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board of directors when the borrowings exceed certain predetermined levels of authority. The group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions, if any, to meet its liquidity requirements in the short and longer term.

iv) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31st December, 2006.

v) Estimation of fair values of securities

Fair values of securities is based on quoted market prices at the balance sheet date without any deduction for transaction costs. Fair values for the unquoted equity investments are estimated using the applicable price/earning ratios for similar listed companies adjusted for the specific circumstances of the issuer.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

a) Useful lives of property, plant and equipment

The group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

b) Installation service contracts

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

c) Estimated provision for impairment of trade and other receivables

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

5. TURNOVER AND OTHER REVENUE

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

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

6. FINANCE COSTS

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

7. SEGMENT INFORMATION

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

8. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the following:

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

9. TAXATION

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

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

	2006	2005
	HK$'000	HK$'000
Under provision in previous year	**181**	–

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

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

10. 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$7,333,000 (2005: Nil) . The unrecognised tax losses, mainly to Hong Kong companies, can be carried forward indefinitely.

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

12. DIVIDENDS

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

13. LOSS PER SHARE

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

	2006 **HK$'000**	2005 HK$'000
Loss attributable to equity holders	**(9,226)**	(8,744)

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

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

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

Year ended 31st 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
Tsang Hon Chung	360	110	22	492
Chao Pang Fei	120	–	–	120
Hui Hong Yan	80	–	–	80
Lau Yu Ping	60	–	–	60
Chen Wei Rong	40	–	–	40
Cheng Yun Ming, Matthew	60	–	–	60
Sin Ka Man	60	–	–	60
	780	110	22	912

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

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

Year ended 31st December, 2005

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

Note:

1) Appointed 13th September, 2005
2) Resigned on 11th November, 2005
3) Appointed on 11th November, 2005
4) Resigned on 30th May, 2005

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

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

	2006 **HK$'000**	2005 HK$'000
Basic salaries, allowances and other benefits	**1,426**	1,173
Pension scheme contributions	**50**	38
	1,476	1,211

	2006	2005
Number of directors	**2**	2
Number of employees	**3**	3
	5	5

During the year, no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the group or as compensation for loss of office.

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

	2006	2005
HK$Nil to HK$1,000,000	**5**	5

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvement HK$'000	Computer HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1/1/2005	504	363	255	300	1,422
Additions	178	100	63	–	341
At 31/12/2005	682	463	318	300	1,763
Accumulated depreciation					
At 1/1/2005	101	322	165	300	888
Charge for the year	104	48	35	–	187
At 31/12/2005	205	370	200	300	1,075
Net book value					
At 31/12/2005	477	93	118	–	688
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

16. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**8,688**	8,687
Amounts due from subsidiaries	**15,613**	10,337
	24,301	19,024
Less: Impairment loss	**(11,598)**	(4,408)
	12,703	14,616

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

Details of the company's major subsidiaries as at 31st December, 2006 are as follows:

Name	Country/ place of incorporation/ establishment	Country/ place of operation	Principal activities	Issued and fully paid share capital	Interests held	
					Directly	Indirectly
Loyal Pacific International Limited	Hong Kong	Hong Kong	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 installation services and sales of electronic equipment	HK$326,666	–	100%

16. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Country/ place of incorporation/ establishment	Country/ place of operation	Principal activities	Issued and fully paid share capital	Interests held Directly	Interests held Indirectly
Great Prospect Enterprises Limited	BVI	Hong Kong	Investment holding	US$100	100%	–
合肥啟鵬紙制品有限公司 (Note)	People's Republic of China (the "PRC")	PRC	Dormant	RMB2,700,000	–	100%

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

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2006	2005
	HK$'000	HK$'000
Unlisted:		
Available-for-sale financial assets, at fair value	**859**	767
Market value	**859**	767

18. HELD-TO-MATURITY DEBT SECURITIES

	Group	
	2006	2005
	HK$'000	HK$'000
Unlisted debt securities in Hong Kong, at cost	**49**	49
Market value	**49**	49
The analysis of the above is as follows:		
Current	**49**	–
Non-current	**–**	49
	49	49

19. TRADE RECEIVABLES

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

	Group	
	2006	2005
	HK$'000	HK$'000
Within 3 months	**52**	7,081
Over 3 months but within 6 months	**6**	1,740
Over 6 months but within 1 year	**432**	1,261
Over 1 year	**2,312**	4,322
	2,802	14,404

20. PLEDGED TIME DEPOSITS

The amount represents deposits pledged to banks to secure banking facilities granted to the group. Deposits amounting to HK$2,376,000 (2005: HK$1,526,000) have been pledged to secure bank overdraft facilities and are therefore classified as current assets.

The deposits carry interest at prevailing market rate. The directors consider the carrying value of the amount at the balance sheet date approximates its fair value.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Short term time deposits	**136**	132	**–**	–
Cash at bank and in hand	**6,281**	2,955	**1,756**	84
	6,417	3,087	**1,756**	84

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

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

	Group		Company	
	2006	2005	**2006**	2005
	'000	'000	**'000**	'000
United States Dollars ("USD")	**USD164**	–	**–**	–
Renminbi ("RMB")	**RMB1,453**	–	**–**	–

22. TRADE PAYABLES

The following is an aging analysis of trade payables:

	Group	
	2006	2005
	HK$'000	HK$'000
Within 3 months	**42**	1,483
Over 3 months but within 6 months	**24**	548
Over 6 months but within 1 year	**16**	134
Over 1 year	**1,036**	837
	1,118	3,002

23. SECURED BANK LOAN

	Group	
	2006	2005
	HK$'000	HK$'000
Principal outstanding	**–**	833
Less: Amount repayable within one year (shown under current liabilities)	**–**	(833)
Amount repayable after one year but within five years (shown under non-current liabilities)	**–**	–

24. AMOUNT DUE TO A DIRECTOR/A RELATED COMPANY/A SUBSIDIARY

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

25. SHARE CAPITAL

	2006		2005	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Authorised:				
Ordinary share of $0.01 each	**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid:				
At beginning of year	**375,000,000**	**3,750**	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**	–	–
At end of year	**675,000,000**	**6,750**	375,000,000	3,750

26. SHARE OPTION SCHEME

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

27. 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$118,000 (2005: HK$128,000) represents contributions payable to these plans by the group at rates specified in the rules of the plans.

28. 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:

	2006	2005
	HK$'000	HK$'000
Reimbursement of office rentals, utilities and certain administrative expenses from Wah Lam Building Materials Limited ("WLBM")	**(44)**	(106)
Office rentals, utilities and certain administrative expenses paid to WLBM	**199**	278

Mr. Tsang Hon Chung, the director of the company, is a director and beneficial shareholder of WLBM.

b) Related party transactions included in the balance sheet:

	2006	2005
	HK$'000	HK$'000
Amount due from Education Solutions Provider Limited	**8**	–
Amount due to WLBM	**442**	60

Mr. Tsang Hon Chung, the director of the company, is director and beneficial shareholder of Education Solutions Provider Limited.

28. RELATED PARTY TRANSACTIONS *(Continued)*

c) Compensation of key management personnel of the group

	2006	2005
	HK$'000	HK$'000
Short-term employee benefits	**590**	607
Post-employment benefits	**22**	14
	612	621

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

29. BANKING FACILITIES

As at 31st December, 2006, the group was granted banking facilities amounting to approximately HK$5,000,000 (2005: HK$7,250,000) which were secured by the corporate guarantee provided by the company and the time deposits of the group (Note 20).

As at 31 December 2006, the group has not utilised any banking facilities.

30. OPERATING LEASE COMMITMENTS– 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:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**381**	381
In the second to fifth years, inclusive	**266**	647
	647	1,028

31. CAPITAL COMMITMENTS

The group's capital commitment outstanding at the year ended and not provided for in the financial statements are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Contracted but not provided for	**3,360**	–

On 29th December, 2006, the group has entered into the sale and purchase agreement in relation to the acquisition of a land use right on a piece of industrial land located in Hefei City, Auhui Province, the PRC at the consideration of RMB3,398,100 (equivalent to approximately HK$3.36 million) together with the proposed construction of production plant and purchase of machinery and equipment.

32. ULTIMATE HOLDING COMPANY AND CONTROLLING PARTY

As at 31st December, 2006, the directors regard Haijing Holdings Limited, a company incorporated in British Virgin Islands, as the ultimate holding company.

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

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

FINANCIAL SUMMARY

(31st December, 2006)

Results

	At 31st December				
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS	**1,914**	2,728	2,848	1,140	2,230
CURRENT ASSETS	**14,400**	21,723	27,802	25,147	19,215
DEDUCT:					
CURRENT LIABILITIES	**2,717**	10,712	7,102	3,543	9,540
NET CURRENT ASSETS	**11,683**	11,011	20,700	21,604	9,675
NON-CURRENT LIABILITIES	**–**	–	(833)	(49)	(125)
NET ASSETS	**13,597**	13,739	22,715	22,695	11,780

	Year ended 31st December				
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover					
– Continuing operations	**4,511**	19,428	26,079	23,976	36,260
– Discontinuing operation	**–**	–	–	–	37,549
	4,511	19,428	26,079	23,976	73,809
(Loss)/profit for the year					
– Continuing operations	**(9,226)**	(8,744)	20	703	7,619
– Discontinuing operation	**–**	–	–	–	(289)
	(9,226)	(8,744)	20	703	7,330