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

(Formerly known as "Innovis Holdings Limited")

ANNUAL**REPORT**2005

(Stock Code: 8065)

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Chao Pang Fei *(Chairman)*
Ms. Hui Hong Yan
Mr. Tsang Hon Chung

NON-EXECUTIVE DIRECTOR

Mr. Lan Yu Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Wei Rong
Mr. Cheng Yun Ming, Matthew
Mr. Sin Ka Man

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Wing On Centre
111 Connaught Road Central
Hong Kong

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

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

COMPLIANCE OFFICER

Ms. Hui Hong Yan

MEMBERS OF THE AUDIT COMMITTEE

Mr. Chen Wei Rong
Mr. Cheng Yun Ming, Matthew
Mr. Sin Ka Man

CAYMAN ISLANDS REPRESENTATIVE

Conyers Dill & Pearman, Cayman

COMPLIANCE ADVISER

MasterLink Securities (HK) Corp. Ltd.

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 45, is the sole beneficial owner and the sole director of Haijing. Mr. Chao 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 Grand Great International Limited ("Grand Great"), an investment company incorporated in the British Virgin Islands. Grand Great is solely owned by the wife of Mr. Chao 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 61.46% of the issued share capital of the Company. 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 Hong Yan, aged 41, graduated from the University of Shenzhen (深圳大學) majoring in Accountancy in 1992. From 1995 to 2005, Ms. Hui held management positions in finance department of various companies in the PRC. In July 2005, she joined Grand Great as a manager in finance department. She is also responsible for assisting Mr. Chao in financial management aspect of Haijing. Currently, 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 45, is an executive Director and a co-founder of the Group. He has over 20 years of experience in the industry of electronics systems, including five 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. In addition, Mr. Tsang also holds certificates issued by the Hong Kong Education Department and the Vocational Training Council for successfully completing training courses on application and guide to the 15th edition of IEE wiring regulations, radio mechanics, television mechanics, electronics, trading with China. Mr. Tsang has also completed the following units: operations management, information technology and the legal environment leading to the joint diploma in management studies sponsored by The Hong Kong Management Association and The Hong Kong Polytechnic University.

Directors and Senior Management of the Group

NON-EXECUTIVE DIRECTORS

Mr. Lan Yu Ping, aged 42, 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 10 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 46, 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 35, 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 38, has over 14 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. He also serves as an independent non-executive director of Shine Software (Holdings) Limited, a company listed on GEM. 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.

Directors and Senior Management of the Group

SENIOR MANAGEMENT

Ms. Choi Yuen Wa, aged 38, 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 twelve years of experience in the field of auditing, accounting and financial management.

Ms. Sung Sau Fan, aged 44, is the human resources and administration manager of the Group and is responsible for overseeing the Group's personnel, payroll and the administrative management functions. Prior to joining the Group in September, 1997, Ms. Sung worked in a privately-owned engineering consultancy firm, Consolidated Consulting Engineers Limited, for several years.

Mr. Cheung Wah Cheuk, aged 28, is a project manager of the Group. Mr. Cheung is responsible for supervising and co-ordinating projects at a number of sites. Mr. Cheung also acts as a liaison officer between the Group and the sub contractors in all technical aspects in executing a project. Prior to joining the Group in September 1996, Mr. Cheung was a full time student at the Vocational Training Council and graduated with a higher certificate in electronic engineering. In 2000, Mr. Cheung participated in the Hong Kong Youth Skill Competition and Mr. Cheung achieved an impressive result of winning the second place in electronic engineering.

Directors' Business Review

On behalf of the board of directors (the "Board"), I present the annual results of Sino Haijing Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the financial year ended 31 December 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For year under review, the Group recorded a total turnover of approximately HK$19,428,000 (2004: HK$26,079,000). Loss attributable for the year to shareholders was approximately HK$8,744,000 (2004: profit of HK$20,000). Overall turnover declined mainly due to the continuous sluggish Hong Kong construction market. The increase in the loss attributable to shareholders was due to (1) the decrease in turnover; (2) increase in bad debts written off of trade debtors and (3) increase in impairment loss of other receivables.

BUSINESS REVIEW

Business development in Hong Kong

Despite the recovery of property market in Hong Kong, the IBS industry is still facing fierce competition which affects the Group's profitability. Nevertheless, the Group will continue to strive to develop and explore new business opportunities in Hong Kong, such as developing retailing software compatible with smart cards, tapping into school computers maintenance market and developing escalator systems with computerized lighting applicable in hospitals.

Business development in the PRC

The Directors believe that the PRC remains to be an important place for the Group to expand its customer base. The Group has actively leveraged upon the connection of its existing domestic strategic partners to explore the business opportunities of the Group's products and services in the PRC. Meanwhile, apart from the co-operation with relevant companies in household software, consensus has been reached in discussing distribution rights in Hong Kong with a company in the PRC in respect of a newly developed product so as to further expand the range of applications for the intelligent building systems developed by the Group.

The Group is still currently discussing with several property developers in the Yangtze River Delta region to explore the possibilities of introducing these developers as the Group's strategic partners in order to strengthen the Group's business in the region.

Although the Directors consider the PRC as one of its major market in the future, the business development and market penetration of the Group in the PRC are still in the process of development and the Directors do not expect the PRC market to be a significant source of revenue for the Group in the near future.

Directors' Business Review

Business development in Macau

With the boom in the economy in Macau, the Group has further studied the future trend of its market and considers Macau as one of the markets for IBS products of the Group. The Group is currently co-operating with a local engineering company to tender in the relevant industry.

BUSINESS OUTLOOK

The Directors consider that the recovery of property market in Hong Kong does not have positive impact on the growth of the construction industry in Hong Kong and, in particular, the competition between players in the industry is still very fierce, resulting in a continuous decline in gross profit margin of projects. Therefore, the Directors expect that the demand for IBS products and services will probably remain stagnating in the near future. The price-cutting strategy adopted by IBS competitors also further intensified the competition for the IBS projects in Hong Kong and resulted in an increasingly difficult environment for the industry. Nevertheless, the Group is taking appropriate measures in an attempt to cope with the challenge.

Facing the price-cutting competition, the Group also takes corresponding measures. Apart from cutting down the costs of production of the Company, new Shareholder was invited to join the Group and the Board has also been reformed in order to enhance the Company's competitiveness.

After introduction of the new Shareholder in August 2005, the Group has become more proactive in implementing positive measures, including enhancing the development of retailing software compatible with smart cards, expanding its marketing network for penetration into school computers maintenance market and the development of escalator systems with computerized lighting applicable in hospitals in order to open up new sources of income for the Company. In addition, the Board is reviewing the operations of the Group and exploring suitable business opportunities and new investments which are beneficial to the Group. However, no such investments or businesses have been identified or are under negotiation at this stage.

The problem of delayed payment from customers have become less severe. The Group will be more proactive in ensuring recovery of overdue payments by negotiating with individual customer, and if necessary, will suspend services provided to them temporarily so as to seek a quick resolution to the matters. As such, the Directors believe it to be prudent to concentrate on soliciting clients with better credit record in minimising possible bad debt exposure. The Group will not preclude the possibility of making bad debt provision for those companies with records of long delayed payments. In view of current market condition, the Group has been actively exploring and developing other business to diversify the business risks associated in IBS industry.

Directors' Business Review

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operations and investing activities with internally generated cash flows and the net proceeds from the placing of the Company's shares as disclosed in the Prospectus (the "Placing").

As at 31st December, 2005, the Group had net current assets of approximately HK$11,011,000 of which approximately HK$1,526,000 and HK$2,955,000 (2004: approximately HK$1,011,000 and HK$4,439,000) were pledged bank deposits and cash and bank balance 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, 2005, the Group had a total of around 17 (2004: 27) 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, 2005, the Group's net assets were financed by internal resources through share capital and reserves. Total equity attributable to shareholders was approximately HK$13,739,000 as at 31st December, 2005, representing a decrease of approximately 39.52% over last year.

SIGNIFICANT INVESTMENTS

There were no significant investments held by the Group as at 31st December, 2005.

CAPITAL COMMITMENT

As at 31st December, 2005, the Group did not have any capital commitment (2004: nil).

MATERIAL ACQUISITIONS AND DISPOSALS/FUTURE PLANS FOR MATERIAL INVESTMENTS

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

Directors' Business Review

PLEDGE OF ASSETS OF THE GROUP

As at 31st December, 2005, bank deposits of 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, 2005, the Group did not have any significant contingent liabilities (2004: nil).

GEARING RATIO

As at 31st December, 2005, the Group had a net cash and cash equivalent position of approximately HK$3,087,000. The Group had no gearing as at 31st December 2005. The Group's gearing ratio as at 31st December 2004 was 4% which was calculated based on the Group's long-terms borrowings of approximately HK$833,000 and shareholders fund of approximately HK$22,715,000.

EXCHANGE RATES

Most of the transactions of the Group are denominated in Hong Kong Dollars and Renminbi. As the exchange rates of Renminbi are fairly stable and only minimum amounts of Renminbi are kept in the PRC, the Directors are of view that the exposure to foreign currency exchange risk is limited. Hence, 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, 27th March 2006

Comparison of Business Objectives with Actual Business Progress

The following is a comparison of the implementation plan of the Group's business objectives for the period from the latest practicable date as defined in the Prospectus (being 12th June, 2003) to 31st December, 2005 (the "Review Period") and its actual progress. The Directors consider that the Group has followed its implementation plan during the Review Period as disclosed in the Prospectus. Nevertheless, in order to attain long-term business goals, the Group will review its business objectives and strategies on an on-going basis and make adjustments as necessary.

BUSINESS OBJECTIVES AS STATED IN THE PROSPECTUS	ACTUAL BUSINESS PROGRESS AS AT 31 DECEMBER 2005
Business development in Hong Kong	
– Continue to seek out and tender for public sector IBS projects.	– The Group is tendering for a number of public sector projects. The intelligent handrail system designed for hospital application has been accepted and duly adopted by the Hospital Authority. The Group is negotiating on the contract with the master contractor.
– Continue to establish contact and seek business opportunities in old building re-engineering projects that involve the installation of IBS.	– Some of the old-style building renovation contracts of the Group proceeded as planned. The Group is also negotiating with a company in respect of the application of energy-saving lights in those buildings.
– Identify and initiate discussions with reputable property developers for the application of the Group's IBS product "*Pervasive Secure Version 1.0*" to their existing and upcoming property development projects.	– The Group had made a joint application with the Hong Kong Polytechnic University for the Innovation and Technology Fund (ITF) sponsored by the Hong Kong SAR Government to support the launch of "*Pervasive Secure Version 1.0*" in Hong Kong. However, the application had been turned down and thus the cooperation was terminated. The Group had been identifying new cooperative partners, and believes that new cooperative projects will be identified in the future.
– Evaluate the performance of the Group's business in Hong Kong.	– Sales performance was dampened under difficult period of the construction industry. The Group believes improvement will be made in pace with the economic recovery and increasing popularity of IBS products and services.

Comparison of Business Objectives with Actual Business Progress

BUSINESS OBJECTIVES AS SET OUT IN THE PROSPECTUS	ACTUAL BUSINESS PROGRESS AT 31 DECEMBER 2005
Geographic expansion to the PRC	
– Continue to register the Shenzhen, Shanghai and Dalian joint ventures as the approved contractors of grade A and grade B tender agents approved by the State Economic and Trade Commission (國家經濟貿易委員會) for tendering IBS projects in the PRC.	– In order to capitalise the advantages offered to Hong Kong companies under the Closer Economic Partnership Arrangement (CEPA), the Group considered it was not suitable to form a joint venture to provide Intelligent Building System services in the PRC, instead it was more beneficial to establish a wholly foreign-owned enterprise. In particular, the Group has already set up formal office in Jiangmen after the completion of forming a wholly-owned foreign enterprise. The foreign-owned enterprise in Jiangmen set up by the Group is still under the process of registration.
– Establish contact and seek business opportunities in tendering for IBS projects in the PRC.	– The Group is tendering for projects with certain licensed domestic companies in Shanghai. It is mutually agreed that the Group will be responsible for the design work when any project is successfully tendered.
– Identify and initiate discussions with property developers in the PRC for the application of the Group's IBS product to their existing and upcoming property development projects.	– The Group has negotiated with a company in Dalian for possible cooperation. The Group has attempted to incorporate its design into that company's existing systems.
– Formulate the latest business plan for the development of business in the PRC based on the evaluation performed in the previous period.	– The Group has completed three product designs and is negotiating with a company in Shenzhen in respect of its appointment as the Group's agent to apply to the relevant domestic authorities for product qualification certificates and future production licenses for those products.

Comparison of Business Objectives with Actual Business Progress

BUSINESS OBJECTIVES AS SET OUT IN THE PROSPECTUS	ACTUAL BUSINESS PROGRESS AT 31 DECEMBER 2005
Research and development	
– Commence the development of the upgraded version of the Group's IBS product *"Pervasive Secure Version 2.0"*.	– The system co-developed by the Group and the PRC university has reached the final stage. The Group is now identifying an agent to assist the promotion for the system.
– Identify new IBS solutions/products to be launched in the PRC market with 華南理工大學(South China University of Technology).	– Among those systems co-developed by the Group and its cooperative partners, the Group is in negotiation with a PRC company to be the agent for 3 of the systems and help the Group to register its products.
– Continue the cooperation with InnoTech for the development of new IBS solutions and enhancement of existing IBS solutions for on-going and/or future projects.	– The Group's cooperation with InnoTech ceased to be effective from mid 2004, and came into cooperation with another software company in developing project software and is now approaching the final stage. This system, which is traditionally applied to the building's engineering section, has made a breakthrough for applying to the ancillary logistic platform.
– Continue to identify and/or commence negotiation with universities and institutions that are experienced in IBS solutions to establish new strategic alliances.	– The Group considers that the development performance of the existing strategic alliance is acceptable. As some of the systems are in the stage of identifying agents for registration process, there is no need to find new strategic alliance.
– Evaluate the performance of the Group's in-house research and development capabilities to ensure its position in the market.	– The Group's engineering staff has constantly attended the training courses organized by the factories and universities, the knowledge they gained has greatly enhanced the technology research power of the Group.
– Continue to identify appropriate software/hardware vendors to collaborate on the development of new IBS applications and the enhancement of current systems and enter into agreement if appropriate.	– The Group is studying for suitable software and hardware suppliers for catering its future development needs.

Comparison of Business Objectives with Actual Business Progress

BUSINESS OBJECTIVES AS SET OUT IN THE PROSPECTUS	ACTUAL BUSINESS PROGRESS AT 31 DECEMBER 2005
Sales and marketing	
– Continue to promote the benefit and convenience of the IBS through hosting of seminars and conferences in Hong Kong and the PRC.	– The Group has formulated a series of IBS solutions, including a recent addition of a large number of education related software, which has handed over to various developer for grasping business opportunities.
– Continue the marketing campaign to promote the Group's IBS product "*Pervasive Secure Version 1.0*" in Hong Kong.	– The Group develops intelligent control solutions for air-conditioning systems and lighting systems, that are applicable to existing buildings, schools and car parks.
– Continue the marketing campaign to promote the Group's IBS product in the PRC.	– The promotion plans formulated by the Group's marketing team has implemented in the PRC aggressively, including making detailed introduction to relevant developers in Shanghai, Shenzhen, Chengdu and Guangzhou, etc.
– Participate in the exhibition "大連國際智能樓宇材料設施及技術展覽會" (Dalian International Intelligent Building Materials and Technology Exhibition) in Dalian.	– The Group has launched a product introduction meeting in Jiangmen and Macau, and have gained many discussion opportunities through these introduction meetings, and some of them are in the stage of arranging second discussion. Accordingly, the Group will keep arranging similar introduction meetings instead of participating in exhibitions.
– Formulate detailed marketing plan to prepare for the launch of the Group's upgraded IBS product "*Pervasive Secure Version 2.0*".	– As the Group has gained many discussion opportunities through introduction meetings, and some of them are in the stage of arranging second discussion, the Group considers that the current promotion strategy is very suitable for the promotion of the Group's products and therefore, the Group will keep organizing introduction meetings as a strategy of exploring business opportunities.

USE OF PROCEEDS

The net proceeds from the issue of new shares pursuant to the listing on 25th June, 2003 received by the Company were approximately HK$12.9 million. During the period from the latest practicable date as defined in the Prospectus (being 12th June, 2003) to 31 December 2005, net proceeds from the issue of new shares were applied as follows:

	Planned use of proceeds as stated in the Prospectus *(HK$'000)*	Actual use of proceeds *(HK$'000)*
Business expansion in Hong Kong		
– Pursuit of public sector IBS projects and re-engineering projects	913	581
– Merchandising of IBS products	453	111
Geographical expansion to the PRC		
– Establishment of joint ventures	3,500	3,320
– Tendering for IBS projects	2,180	732
– Launching IBS products	220	371
Research and development		
– Development of IBS products	915	762
– Forming strategic alliances	360	1,270
– Expansion of in-house team	1,037	237
Sales and marketing	1,323	822
General working capital	1,972	3,578
Total	12,873	11,784

Report of the Directors

The directors present herewith their annual report and the audited financial statements of Sino Haijing Holdings Limited (formerly known as Innovis Holdings Limited) ("the Company") and its subsidiaries (together with the Company, "the Group") for the year ended 31 December 2005.

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	65%	
Five largest customers in aggregate	92%	
The largest supplier		23%
Five largest suppliers in aggregate		46%

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.

Report of the Directors

FINANCIAL STATEMENTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated income statement on page 27.

The state of affairs of the Group and the Company as at 31 December 2005 are set out in the consolidated balance sheet on page 28 and the balance sheet on page 29, respectively.

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

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2005 and of the assets and liabilities as at 31 December 2001, 2002, 2003, 2004 and 2005 is set out on page 64.

CHANGE OF COMPANY'S NAME

By a special resolution passed on 17 March 2006, the name of the Company was changed from "Innovis Holdings Limited" to "Sino Haijing Holdings Limited" and its Chinese name from "華智控股有限公司" to "中國海景控股有限公司".

CHARITABLE DONATIONS

The Group made charitable donations during the year amounted to HK$6,250 (2004: HK$17,300).

PROPERTY, PLANT AND EQUIPMENT

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

CONVERTIBLE NOTES

Details of the convertible notes are set out in note 18 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2005 are set out in note 16 to the financial statements.

Report of the Directors

SHARE CAPITAL

Movements in share capital of the Company during the year are set out in note 26 to the financial statements. There was no change in share capital during the year.

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 30 to 31.

DIRECTORS

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

Executive Directors

Mr. Chao Pang Fei, *Chairman*	*(appointed on 13 September 2005)*
Ms. Hui Hong Yan	*(appointed on 13 September 2005)*
Mr. Tsang Hon Chung	
Mr. Lam Yew Kai	*(resigned on 11 November 2005)*
Mr. Tsang Hon Ming	*(resigned on 11 November 2005)*

Non-executive Directors

Mr. Lan Yu Ping	*(appointed on 13 September 2005)*
Ms. Wong Mau Fa	*(resigned on 11 November 2005)*
Ms. Lai Ka Kit	*(resigned on 30 May 2005)*

Independent non-executive Directors

Mr. Chen Wei Rong	*(appointed on 11 November 2005)*
Mr. Cheng Yun Ming, Matthew	*(appointed on 11 November 2005)*
Mr. Sin Ka Man	*(appointed on 11 November 2005)*
Mr. Liu Pui Ming	*(resigned on 11 November 2005)*
Mr. Koo Cheuk On, Timmie	*(resigned on 11 November 2005)*
Mr. Lam Ying Hung, Andy	*(resigned on 11 November 2005)*

In accordance with Article 14(4) 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.

Report of the Directors

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

Mr. Tsang Hon Chung has entered into service contracts with the Company for a fixed term of two years commencing from 1 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 31 December 2005 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 29 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

Save for the options granted under the Pre-IPO Share Option Scheme, 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.

Report of the Directors

DISCLOSURE OF AGGREGATED RECEIVABLES ARISING FROM THE ORDINARY COURSE OF BUSINESS OF THE GROUP

The following continuing disclosure is made pursuant to Rule 17.22 of the GEM Listing Rules.

As at 31 December 2005, there were 375,000,000 shares of the Company in issue. Based on the average closing price of the Company's shares of HK$0.0386 as stated in the Stock Exchange's daily quotation sheets for the trading days from 22 December 2005 to 30 December 2005 (both days inclusive), being the five business days immediately preceding 31 December 2005, the total market capitalisation of the Company was approximately HK$14,475,000 (the "Total Market Capitalisation") as at 31 December 2005.

As at 31 December 2005, the consolidated total assets value of the Group was approximately HK$24,451,000 (the "Total Assets Value").

As at 31 December 2005, the following aggregated receivables of the Group exceeded 8% of either the Total Market Capitalisation and/or the Total Assets Value:

Customer Name	HK$	Approximate percentage of Total Market Capitalisation	Approximate percentage of Total Assets Value
Fong Wing Shing Construction Co., Ltd.	6,725,219	46.46%	27.50%
Huns Engineering Co., Ltd.	1,882,898	13.01%	7.70%

All of the above customers and their ultimate beneficial owners are independent of and are not connected with, the Company or its subsidiaries, the directors, chief executive, management shareholders or substantial shareholders of the Company and its subsidiaries or their respective associates (as defined in the GEM Listing rules).

The aggregated receivables were resulted from the provision of intelligent building systems solutions and the sales of electronic equipment by the Group in its ordinary course of business and on normal commercial terms. They are all unsecured and repayable in accordance with the credit terms as agreed with the relevant customers. No interest had been charged on and no collateral had been received on the balances.

Report of the Directors

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

As at 31 December 2005, 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)*	61.46%

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 31 December 2005, 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.

Report of the Directors

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 31 December 2005, 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	61.46%

Note:

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

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

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

COMPETING INTERESTS

As at 31 December 2005, 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.

Report of the Directors

COMPLIANCE ADVISER'S INTERESTS

Pursuant to the agreement dated 13 June 2003 entered into between the Company and MasterLink Securities (Hong Kong) Corporation Limited ("MasterLink"), for the purpose of Chapter 6 of the GEM Listing Rules, MasterLink was retained as Company's compliance adviser during the period between 25 June 2003 to 31 December 2005.

As at 31 December 2005, neither MasterLink, its directors, employees or their respective associates had any interest in any class of securities of the Company or any other companies in the Group (including options or rights to subscribe for such securities) pursuant to Rules 6.36 of the GEM Listing Rules.

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 31 December 2005 are set out in notes 23, to the financial statements.

AUDIT COMMITTEE

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

The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2005.

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

Report of the Directors

CORPORATE GOVERNANCE

Save and except the following deviations from the code provisions (except code provision C.2 on internal control and the relevant disclosure requirements of which the implementation date is for accounting period commencing on or after 1 July 2005) set out in the Code on Corporate Governance Practices as contained in Appendix 15 to the GEM Listing Rules (the "CCGP"), the Company had, during the year ended 31 December 2005, complied with the CCGP:

	Code provisions set out in the CCGP	**Reason for deviations**
A.2	The Chairman and chief executive officer of the Company were performed by the same individual	The Company is still searching for suitable candidates to fulfill the responsibilities of the separate roles
B.1	Remuneration committee has not yet been set up by the Company	The Company is now in the progress of forming its remuneration committee and drafting its term of reference

The Board was also in the progress of assessing the effect of the implementation of the CCGP on the Company's operation. Save as disclosed, the Company has met the code provisions (except code provision C.2 on internal control and the relevant disclosure requirements of which the implementation date is for accounting period commencing on or after 1 July 2005) set out in the CCGP throughout the year ended 31 December 2005.

AUDITORS

PKF resigned as auditors of the Company and its subsidiaries on their own accord with effect from 5 January 2006. CCIF CPA Limited has been appointed to fill the casual vacancy in the office as auditors with effect from 6 January 2006.

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, 27 March 2006

Auditors' Report

CCIF
CCIF CPA LIMITED
37/F Hennessy Centre
500 Hennessy Road
Causeway Bay, Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF SINO HAIJING HOLDINGS LIMITED
(FORMERLY KNOWN AS INNOVIS HOLDINGS LIMITED)
(INCORPORATED IN CAYMAN ISLANDS WITH LIMITED LIABILITY)

We have audited the financial statements on pages 27 to 63 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

Auditors' Report

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2005 and of the loss and cash flows of the Group for the year then ended 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, 27 March 2006
Chan Wai Dune, Charles
Practising Certificate Number P00712

Consolidated Income Statement

For the year ended 31 December 2005

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

The notes on pages 34 to 63 form an integral part of these financial statements.

Consolidated Balance Sheet

At 31 December 2005

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

Approved and authorised for issue by the board of directors on 27 March 2006

On behalf of the board

Chao Pang Fei
Director

Hui Hong Yan
Director

The notes on pages 34 to 63 form an integral part of these financial statements.

Balance Sheet

At 31 December 2005

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

Approved and authorised for issue by the board of directors on 27 March 2006

On behalf of the board

Chao Pang Fei
Director

Hui Hong Yan
Director

The notes on pages 34 to 63 form an integral part of these financial statements.

Consolidated Statements of Changes in Equity

For the year ended 31 December 2005

Group

	Issued capital HK$'000	Share premium HK$'000	Capital reserve (a) HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1/1/ 2004	3,750	8,672	117	–	10,156	22,695
Net profit for the year	–	–	–	–	20	20
At 31/12/ 2004	3,750	8,672	117	–	10,176	22,715
At 1/1/2005	3,750	8,672	117	–	10,176	22,715
Opening adjustment for the adoption of HKAS 39	–	–	–	(111)	–	(111)
Fair value loss on available-for-sale financial assets	–	–	–	(121)	–	(121)
Net loss for the year	–	–	–	–	(8,744)	(8,744)
At 31/12/ 2005	3,750	8,672	117	(232)	1,432	13,739

Company

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

The notes on pages 34 to 63 form an integral part of these financial statements.

Consolidated Statements of Changes in Equity

For the year ended 31 December 2005

Notes:

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

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

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

The notes on pages 34 to 63 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2005

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

Consolidated Cash Flow Statement

For the year ended 31 December 2005

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

The notes on pages 34 to 63 form an integral part of these financial statements.

Notes to the Financial Statements

31 December 2005

1. BASIS OF PREPARATION

a) GENERAL INFORMATION

The Company is an investment holding company. Its subsidiaries are principally engaged in provision of intelligent building system solutions and sales of electronic equipment.

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

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

b) BASIS OF CONSOLIDATION

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

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

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

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

Notes to the Financial Statements

31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES

a) STATEMENT OF COMPLIANCE

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

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

The adoption of new/revised HKFRS

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

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

Notes to the Financial Statements

31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

a) STATEMENT OF COMPLIANCE *(Continued)*

The adoption of new/revised HKFRS *(Continued)*

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

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

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

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

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

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

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

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

Notes to the Financial Statements

31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

a) STATEMENT OF COMPLIANCE *(Continued)*

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

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

b) REVENUE RECOGNITION

(i) Revenue from provision of intelligent building system solutions

The Group enters into contracts with customers whereby the values of the sale of the electronic equipment and the provision of intelligent building system solutions are bundled together in one contract. Revenue from such contracts is recognised when the services are rendered.

(ii) Sale of goods

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

(iii) Interest income

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

Notes to the Financial Statements

31 December 2005

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, associates and jointly controlled entities, are as follows:

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

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

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

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

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

d) PROPERTY, PLANT AND EQUIPMENT

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

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

Notes to the Financial Statements

31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

d) PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

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

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

e) LEASED ASSETS

i) *Operating lease charges*

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

ii) *Assets acquired under finance leases*

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

Notes to the Financial Statements

31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

f) IMPAIRMENT OF ASSETS

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

– property, plant and equipment; and
– investments in subsidiaries

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

i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

ii) Recognition of impairment losses

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

iii) Reversals of impairment losses

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

Notes to the Financial Statements

31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

f) IMPAIRMENT OF ASSETS *(Continued)*

iii) Reversals of impairment losses (Continued)

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

g) SUBSIDIARIES

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

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

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

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

h) GUARANTEED FUND

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

Notes to the Financial Statements

31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

i) RELATED PARTIES

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

j) TRADE AND OTHER RECEIVABLES

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

k) TRADE AND OTHER PAYABLES

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

l) CASH EQUIVALENTS

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

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

Notes to the Financial Statements

31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

m) PROVISIONS AND CONTINGENT LIABILITIES

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

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

n) DEFERRED INCOME TAX

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

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

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

o) TRANSLATION OF FOREIGN CURRENCIES

Functional and presentation currency

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

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

o) TRANSLATION OF FOREIGN CURRENCIES *(Continued)*

Transactions and balances

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

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

Group companies

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

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

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

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

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

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

Notes to the Financial Statements

31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

p) RETIREMENT COSTS

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

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

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

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

q) SEGMENT REPORTING

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

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

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

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

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

Notes to the Financial Statements

31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

r) BORROWING COST

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

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

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

(a) Foreign currency risk

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

(b) Credit risk

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

(c) Liquidity risk

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

Notes to the Financial Statements

31 December 2005

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

a) Useful lives of property, plant and equipment

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

b) Estimated provision for impairment of trade and other receivables

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

Notes to the Financial Statements

31 December 2005

5. TURNOVER AND OTHER REVENUE

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

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

6. FINANCE COSTS

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

Notes to the Financial Statements

31 December 2005

7. SEGMENT INFORMATION

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

8. (LOSS)/PROFIT BEFORE TAXATION

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

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

Notes to the Financial Statements

31 December 2005

9. TAXATION

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

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

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

10. DEFERRED TAXATION

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

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

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

12. DIVIDENDS

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

Notes to the Financial Statements

31 December 2005

13. (LOSS)/EARNINGS PER SHARE

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

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

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

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

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

Notes to the Financial Statements

31 December 2005

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

Year ended 31 December 2005

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

Note:

1) Appointed on 13 September 2005

2) Resigned on 11 November 2005

3) Appointed on 11 November 2005

4) Resigned on 30 May 2005

Notes to the Financial Statements

31 December 2005

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

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

Year ended 31 December 2004

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

Note:

1) Appointed on 12 January 2004

2) Resigned on 1 October 2004

3) Appointed on 28 September 2004

4) Appointed on 1 October 2004

Notes to the Financial Statements

31 December 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:

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

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

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

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

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

Notes to the Financial Statements

31 December 2005

15. PROPERTY, PLANT AND EQUIPMENT

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

Notes to the Financial Statements

31 December 2005

16. INTERESTS IN SUBSIDIARIES

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

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

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

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

Notes to the Financial Statements

31 December 2005

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

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

18. HELD-TO-MATURITY DEBT SECURITIES

	The Group		The Company	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000
Unlisted debt securities in Hong Kong, at cost	**49**	349	**–**	300
Fair value	**49**	349	**–**	300
The analysis of the above is as follows:				
Current	**-**	300	**–**	300
Non-current	**49**	49	**–**	–
	49	349	**–**	300

Notes to the Financial Statements

31 December 2005

19. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

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

20. TRADE RECEIVABLES

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

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

21. PLEDGED TIME DEPOSITS

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

22. TRADE PAYABLES

The following is an aging analysis of trade payables:

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

Notes to the Financial Statements

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23. SECURED BANK LOAN

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

For more details, refer to note 30.

24. OBLIGATION UNDER FINANCE LEASE

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

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

Notes to the Financial Statements

31 December 2005

25. AMOUNT DUE TO A DIRECTOR/RELATED COMPANY

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

26. SHARE CAPITAL

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

27. SHARE OPTION SCHEME

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

28. RETIREMENT BENEFIT COSTS

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

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

Notes to the Financial Statements

31 December 2005

29. RELATED PARTY TRANSACTIONS

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

a) Related party transactions included in the income statement:

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

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

b) Related party transactions included in the balance sheet:

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

c) Compensation of key management personnel of the Group

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

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

Notes to the Financial Statements

31 December 2005

30. BANKING FACILITIES

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

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

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

31. OPERATING LEASE ARRANGEMENTS – AS LESSEE

The Group leases certain of its office premises under operating lease arrangements. Leases for office premises are negotiated for a lease term of 3 years. The terms of the lease require the lessee to pay security deposits.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating lease with its lessee falling due as follows:

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

32. ULTIMATE HOLDING COMPANY AND CONTROLLING PARTY

As at 31 December 2005, the directors regard Haijing Holdings Limited, a company incorporated in British Virgin Islands, as the ultimate holding company.

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

33. POST BALANCE SHEET EVENTS

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

Notes to the Financial Statements

31 December 2005

34. COMPARATIVE FIGURES

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

Financial Summary

31 December 2005

Results

	Year ended 31 December				
	2005	**2004**	**2003**	**2002**	**2001**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
NON-CURRENT ASSETS	**2,728**	2,848	1,140	2,230	753
CURRENT ASSETS	**21,723**	27,802	25,147	19,215	30,436
DEDUCT:					
CURRENT LIABILITIES	**10,712**	7,102	3,543	9,540	24,628
NET CURRENT ASSETS	**11,011**	20,700	21,604	9,675	5,808
NON-CURRENT LIABILITIES	**–**	(833)	(49)	(125)	(482)
NET ASSETS	**13,739**	22,715	22,695	11,780	6,079

	At 31 December				
	2005	2004	2003	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover					
– Continuing operations	**19,428**	26,079	23,976	36,260	19,920
– Discontinuing operation	**–**	–	–	37,549	56,215
	19,428	26,079	23,976	73,809	76,135
(Loss)/profit for the year					
– Continuing operations	**(8,744)**	20	703	7,619	1,032
– Discontinuing operation	**–**	–	–	(289)	720
	(8,744)	20	703	7,330	1,752