



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

FIRST QUARTERLY REPORT 2006

(Stock Code: 8065)

中國  
海景

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

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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*This report, for which the directors (the “Directors”) of Sino Hajing Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## FIRST QUARTER UNAUDITED RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March, 2006, together with the comparative unaudited figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT  
(UNAUDITED)

	<i>Notes</i>	<b>2005 Three months ended 31 March, 2006 HK\$'000</b>	2004 Three months ended 31 March, 2005 HK\$'000
Turnover	2	<b>2,429</b>	4,480
Cost of sales		<b>(1,517)</b>	(4,357)
Gross profit		<b>912</b>	123
Other income		<b>29</b>	34
Administrative and other operating expenses		<b>(1,141)</b>	(866)
Operating loss		<b>(200)</b>	(709)
Finance costs		<b>(33)</b>	(41)
Loss before taxation		<b>(233)</b>	(750)
Taxation	3	-	-
Loss attributable to shareholders		<b>(233)</b>	(750)
Dividend	4	-	-
Loss per share – Basic	5	<b>(0.05) cents</b>	(0.20) cents

Notes:

## 1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements for the three months ended 31 March 2006 (the "Period") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules").

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

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

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

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

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

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



## 2. Turnover

Turnover for the period ended 31 March, 2006 represents revenue recognized from the provision of Intelligent Building Services (IBS) solutions and maintenance and the net invoiced value of goods sold. An analysis of the Group's turnover is set out below:

	<b>Three months ended 31 March, 2006 HK\$'000 (unaudited)</b>	Three months ended 31 March, 2005 HK\$'000 (unaudited)
IBS solutions and maintenance	<b>2,429</b>	4,480

## 3. Taxation

No provision for Hong Kong profits tax has been made in the accounts as the Group does not have any assessable profit for the three months ended 31 March 2006 (2005: Nil).

## 4. Dividend

For the three months ended 31 March, 2006, the Board does not recommend the payment of a dividend (2005: Nil).



## 5. Loss per share

Loss per share for the three months ended 31 March, 2006 for the corresponding period in 2005 was calculated based on the following figures:

	<b>Three months ended 31 March, 2006 HK\$'000 (unaudited)</b>	Three months ended 31 March, 2005 HK\$'000 (unaudited)
Unaudited consolidated loss attributable to shareholders	<u><u>(233)</u></u>	<u><u>(750)</u></u>
Weighted average number of shares – Basic	<u><u>481,250,000</u></u>	<u><u>375,000,000</u></u>
Loss per share – Basic	<u><u>(0.05) cents</u></u>	<u><u>(0.20) cent</u></u>

## 6. Reserves

There were no transfers to or from reserves of the Group other than those reflected in the results, for the three months ended 31 March, 2006 and 2005.



## Management Discussion and analysis

### FINANCIAL REVIEW

For the three months ended 31st March, 2006, the Group recorded a turnover of approximately HK\$2.43 million, representing a decline of approximately 46% as compared to approximately HK\$4.48 million for the corresponding period in 2005.

For the three months ended 31st March, 2006, gross profit margin of the Group was approximately 38% as compared to approximately 2.75% for the corresponding period in 2005.

For the three months ended 31st March, 2006, administrative and other operating expenses of the Group was approximately HK\$1.14 million as compared to approximately HK\$0.87 million for the corresponding period in 2005. Loss attributable to shareholders for the three months ended 31st March, 2006 of was approximately HK\$0.23 million as compared to loss attributable to shareholders of approximately HK\$0.75 million for the corresponding period in 2005.

### BUSINESS REVIEW

#### 1. Business Development in Hong Kong

Despite signs of economic recovery in Hong Kong, the ongoing fierce competition, in the provision of products and services in the IBS market (mainly newly constructed buildings, i.e. first-hand market projects) to which the Company is participating in has continued to impose a negative impact on the Group's profitability. Hence, under such highly competitive market condition, the Group will strive to develop and constantly explore new business opportunities in Hong Kong, including developing retailing software compatible with smart cards, expanding the school computers maintenance market and developing escalator systems with computerized lighting applicable in hospitals. For escalator systems with computerized lighting, the first contract from Tuen Mun Hospital has been secured last year.





## 2. Business Development in the People's Republic of China ("PRC")

As part of the Group's strategy of expanding its customer base in the PRC, the Group has 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, in particular, the projects in province will act as systems consultant. Meanwhile, the Group is also negotiating with relevant companies to form possible co-operation in household software and together with a company in PRC, beginning to launch its products for sale in Hong Kong 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 feasibilities of introducing these developers as the Group's strategic partners, in order to strengthen the Group's business in the region. There have been several companies recognizing the possibility of the Group to act as their contractor.

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.

## 3. Business Development in Macau

With the continuous boom in the tourism and hospitality industry in Macau, the Group also anticipates that there will be a potential market for IBS products of the Group. The Group is currently co-operating with a local engineering company to tender in the relevant industries, which include hotels and commercial buildings.





4. Research and Development

The extension scheme of the network-based intelligent system for small community has commenced at a trial stage, the Group expects to launch it into the market within one or two years. The studying of the development of a build-in entertainment system as an additional value-added component for its network-based intelligent system is being successfully carried out. In addition, the Group is actively engaged in research and development of the compatibility between smart cards and retailing software, to share in the benefits of growth of the Hong Kong retail sector.

5. Business Outlook

The Directors consider that despite the recent signs of recovery in the Hong Kong economy, the first-hand construction market showed trend of slowing down, and accordingly did 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. 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. As a result, the Directors expect the Group's profitability may be subject to further possible downturn during the remainder of this financial year. Nevertheless, the Group is taking appropriate measures in an attempt to minimise the possible downturn.

Facing the price-cutting competition, the Group also takes such corresponding measures as further cutting down of Directors' remunerations, requesting for additional discount from suppliers and to decrease the costs of production of the Company.

Apart from passive cost-cutting solutions, the Group implements positive measures, including enhancing the retailing software function of smart cards, striving for penetration into school computers maintenance market and the expansion of escalator systems with computerized lighting applicable in hospitals in order to open up new sources of income for the Company.



Delayed payment has improved compared with last year. The Group will more proactively negotiate with individual companies to seek a quick resolution to the matters, in order to ensure recovery of overdue payments. As such, the Directors believe it to be prudent to concentrate on soliciting clients with better credit record to minimize the possible bad debt exposure. The Directors have also made appropriate bad debt provision last year. In view of current market condition, the Group has been actively exploring and developing other related business with less exposure to the payment problem.

## 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 March 2006, there were 562,500,000 shares of the Company in issue. Based on the average closing price of the Company's shares of HK\$0.064 as stated in the Stock Exchange's daily quotation sheets for the trading days from 27 March 2006 to 31 March 2006 (both days inclusive), being the five business days immediately preceding 31 March 2006, the total market capitalisation of the Company was approximately HK\$36,000,000 (the "Total Market Capitalisation") as at 31 March 2005.

As at 31 March 2006, the consolidated total assets value of the Group was approximately HK\$19,741,000 (the "Total Assets Value").





As at 31 March 2006, the following aggregated receivables of the Group exceeded 8% of either the Total Market Capitalisation and/or the Total Assets Value:

<b>Customer Name</b>	<i>HK\$</i>	<b>Approximate percentage of Total Market Capitalisation</b>	<b>Approximate percentage of Total Assets Value</b>
Huns Engineering Co., Ltd.	1,686,770	4.7%	8.5%

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.



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

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

### (a) Long positions in the shares of the Company

<b>Name of Director</b>	<b>Type of interests</b>	<b>Number of securities</b>	<b>Approximate percentage of shareholding</b>
Mr. Chao Pang Fei ("Mr. Chao")	Interest of a controlled corporation	345,729,000 shares ( <i>Note</i> )	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 March 2006, none of the Directors or chief executives of the Company has short positions in the shares, underlying shares of equity derivatives of the Company or any of its associated corporations.

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

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

- (a) Long positions in the shares of the Company

<b>Name</b>	<b>Type of interests</b>	<b>Number of shares</b>	<b>Approximate percentage of interests</b>
Haijing ( <i>Note</i> )	Beneficial owner	345,729,000 shares	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 March 2006, none of the Directors or management shareholders (as defined in GEM Listing Rules) of the Company or their respective associates had interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Company.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors of the Company, all Directors confirm that they complied with such code of conduct throughout the three months ended 31 March 2006.

## PURCHASE, DISPOSAL OR REDEMPTION OF SECURITIES

During the three months ended 31 March 2006, neither the Company, nor any of its subsidiaries purchased, disposed of or redeemed any of the Company's listed securities.





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

The Group's unaudited condensed consolidated results for the three months ended 31 March 2006 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

By order of the Board  
**SINO HAIJING HOLDINGS LIMITED**  
**CHAO PANG FEI**  
*Chairman*

Hong Kong, 12 May 2006

