



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

(Stock Code: 1106)

INTERIM REPORT 2011

This report, in both English and Chinese versions, is available on the Company's website at <http://www.sinohaijing.com> (the "Company Website").

Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to this report posted on the Company Website will promptly upon request be sent this report in printed form free of charge.

Shareholders may at any time change their choice of the means of receipt (either in printed form or via the Company Website) and/or language(s) (either English only or Chinese only or both languages) of Corporate Communications.

Shareholders may send their request to receive this report in printed form, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Company's Hong Kong Share Registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong or by sending an email to the Hong Kong Share Registrar of the Company at is-ecom@hk.tricorglobal.com.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Lan Yu Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Ka Wing
Mr. Sin Ka Man
Ms. Chen Hongfang

REGISTERED OFFICE

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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Wing On Centre
111 Connaught Road Central
Hong Kong

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

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

COMPLIANCE OFFICER

Ms. Hui Hongyan

MEMBERS OF THE AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Mr. Ho Ka Wing (*Chairman*)
Mr. Sin Ka Man
Ms. Chen Hongfang

LEGAL ADVISERS

As to Hong Kong Law
Loong & Yeung

As to Cayman Islands Law
Conyers Dill & Pearman, Cayman

AUDITORS

Mazars CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

HSBC
The Bank Of East Asia
Bank of China (Hefei)
Bank of Communications (Hefei)
China Merchants Bank (Qingdao)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

1106

COMPANY'S WEBSITE

www.sinohaijing.com

HIGHLIGHTS

- The Company was successfully transferred its listing to the main board of The Stock Exchange of Hong Kong Limited on 12 May 2011.
- Turnover for the six months ended 30 June 2010 (the "Period") was approximately HK\$259.51 million, representing a decrease of approximately 1.65% as compared with approximately HK\$263.87 million for the corresponding period last year.
- Gross profit for the Period was approximately HK\$42.68 million, representing a decrease of approximately 10.22% as compared with approximately HK\$47.54 million for the corresponding period last year.
- Profit attributable to equity holders of the Company for the Period was approximately HK\$11.27 million, representing a decrease of approximately 14.36% as compared with approximately HK\$13.16 million for the corresponding period last year.
- The board of directors (the "Board") does not recommend the payment of an interim dividend for the six months ended 30 June 2011.

INTERIM RESULTS

The board of Directors (the "Board") of Sino Haijing Holdings Limited ("the Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011, together with unaudited comparative figures for the corresponding period in 2010 as follows:–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011– unaudited

	Notes	Six months ended 30 June	
		2011 HK\$'000	2010 HK\$'000
Turnover	2	259,512	263,867
Cost of sales		(216,834)	(216,330)
Gross profit		42,678	47,537
Other revenue and other income		4,210	1,514
Administrative and other operating expenses		(25,434)	(25,234)
Profit from operations		21,454	23,817
Finance costs		(4,941)	(3,189)
Profit before tax	4	16,513	20,628
Income tax expense	5	(4,195)	(6,532)
Profit for the period		12,318	14,096
Other comprehensive income			
Exchange differences arising on translation of foreign operations		6,645	2,791
Total comprehensive income for the period		18,963	16,887
Profit attributable to:			
Equity holders of the Company		11,270	13,159
Non-controlling interests		1,048	937
Profit for the period		12,318	14,096
Total comprehensive income attributable to:			
Equity holders of the Company		17,533	15,795
Non-controlling interests		1,430	1,092
Total comprehensive income for the period		18,963	16,887
Earnings per share	7		
– Basic		0.93 cents	1.36 cents
– Diluted		0.91 cents	1.35 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	As at 30 June 2011 HK'000 (Unaudited)	As at 31 December 2010 HK'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	122,522	118,832
Lease premium for land		25,505	25,374
Goodwill		71,783	70,186
		<u>219,810</u>	<u>214,392</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss		33	38
Inventories		29,334	16,788
Lease premium for land		563	551
Trade and other receivables	9	254,567	230,193
Pledged bank deposits	10	74,676	–
Cash and cash equivalents		41,366	95,923
		<u>400,539</u>	<u>343,493</u>
CURRENT LIABILITIES			
Trade and other payables	11	97,362	114,855
Bank and other borrowings		146,133	87,527
Current tax payable		4,281	2,131
		<u>247,776</u>	<u>204,513</u>
NET CURRENT ASSETS		<u>152,763</u>	<u>138,980</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>372,573</u>	<u>353,372</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,780	2,718
NET ASSETS		<u>369,793</u>	<u>350,654</u>
CAPITAL AND RESERVES			
Share capital	12	30,242	30,242
Reserves		321,511	304,043
Total equity attributable to equity holders of the Company		<u>351,753</u>	<u>334,285</u>
Non-controlling interests		<u>18,040</u>	<u>16,369</u>
TOTAL EQUITY		<u>369,793</u>	<u>350,654</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to equity holders of the Company							Sub- total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share Premium HK\$'000	Capital reserve HK\$'000	Share options reserve HK\$'000	Statutory surplus reserves HK\$'000	Translation reserve HK\$'000	Retained Profits HK\$'000			
At 1/1/2010	24,219	153,923	117	1,596	10,104	12,938	23,390	226,287	15,493	241,780
Interim dividend to non-controlling interests	-	-	-	-	-	-	-	-	(1,801)	(1,801)
Profit for the year	-	-	-	-	-	-	30,828	30,828	2,062	32,890
Transfer	-	-	-	-	2,752	-	(2,752)	-	-	-
Other comprehensive income for the year										
Exchange difference arising from translation of foreign operations	-	-	-	-	-	9,329	-	9,329	615	9,944
Transactions with equity holders of the Company recognised directly in equity										
Equity settled share-based transactions	-	-	-	898	-	-	-	898	-	898
Exercise of share options	1,180	5,198	-	(1,424)	-	-	-	4,954	-	4,954
Interim dividend to equity holders	-	(5,000)	-	-	-	-	(15,318)	(20,318)	-	(20,318)
Lapse of share options	-	-	-	(55)	-	-	-	(55)	-	(55)
Subscription of new shares, net of expenses	4,843	77,519	-	-	-	-	-	82,362	-	82,362
At 31/12/2010 and 1/1/2011	30,242	231,640	117	1,015	12,856	22,267	36,148	334,285	16,369	350,654
Additional capital injection by a minority shareholder	-	-	-	-	-	-	-	-	241	241
Profit for the period	-	-	-	-	-	-	11,270	11,270	1,048	12,318
Other comprehensive income for the period										
Exchange difference arising from translation of foreign operations	-	-	-	-	-	6,263	-	6,263	382	6,645
Transactions with equity holders of the Company recognised directly in equity										
Lapse of share options	-	-	-	(65)	-	-	-	(65)	-	(65)
At 30/6/2011	<u>30,242</u>	<u>231,640</u>	<u>117</u>	<u>950</u>	<u>12,856</u>	<u>28,530</u>	<u>47,418</u>	<u>351,753</u>	<u>18,040</u>	<u>369,793</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Net cash (outflow)/inflow from operating activities	(29,573)	12,486
Net cash outflow from investing activities	(83,890)	(10,600)
Net cash inflow from financing activities	58,292	380
(Decrease)/increase in cash and cash equivalents	(55,171)	2,266
Cash and cash equivalents at the beginning of the period	95,923	15,365
Effect of foreign exchange rate change	614	-
Cash and cash equivalents at the end of the period	<u>41,366</u>	<u>17,631</u>
Analysis of the balances of cash and cash equivalents Cash and bank balances	<u>41,366</u>	<u>17,631</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The Group's unaudited consolidated results for the six months ended 30 June 2011 have been prepared in accordance with the Hong Kong Financial Reporting Standards 34 "Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and applicable disclosure requirements in the Appendix 16 of the Listing Rules

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the company. There have been no significant changes to the accounting policies applied in these financial statements for the periods presented as a result of these developments.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It is also requires management to exercise their judgments in the process of applying the Group's accounting policies.

The accounting policies adopted in preparing the unaudited condensed consolidated interim results were consistent with those applied for the financial statements of the Group for the year ended 31 December 2010.

The consolidated interim results have not been audited by the Company's auditors, but have been reviewed by the Company's Audit Committee.

2. TURNOVER

Turnover represents the sale of packaging materials, which excludes value-added tax and other sale taxes, and is stated after deduction of all goods returns and trade discounts.

3. SEGMENT REPORTING

a) *Segment revenue, results, assets and liabilities*

The Group is principally engaged in the manufacture and sale of packaging materials in the People's Republic of China ("PRC"). The Group's chief operating decision maker regularly reviews their consolidated financial information to assess the performance and make resource allocation decisions. Accordingly, there is only one operating segment for the Group and no segmental revenue, results, assets and liabilities are presented.

b) *Geographical information*

The geographical location of customers is based on the location at which the goods are delivered. Substantially, all of the Group's revenue from external customers and non-current assets are located in the PRC. Therefore, no analysis on revenue from external customers and non-current assets by location are presented.

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:-

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Audit fee	250	400
Cost of inventories recognized as expense	216,834	216,330
Depreciation	9,498	9,184
Staff costs	25,624	21,683
Interest expenses on borrowings	<u>4,941</u>	<u>3,189</u>

5. INCOME TAX

Hong Kong Profits Tax has not been provided as the Group had no estimated assessable profits for both current and prior period. The income tax provision in respect of operations in the PRC is calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

6. INTERIM DIVIDEND

For the six months ended 30 June 2011, the Board does not recommend the payment of an interim dividend (2010: Nil)

7. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company are based on the following data:

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Profit:		
Profit for the period attributable to ordinary equity holders of the Company	<u>11,270</u>	<u>13,159</u>

	Six months ended 30 June	
	2011 '000 (Unaudited)	2010 '000 (Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,209,681	970,866
Add: Effect of deemed issue of shares under the Company's share option scheme	<u>18,067</u>	<u>5,838</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>1,227,748</u>	<u>976,704</u>

8. PROPERTY, PLANT AND EQUIPMENTS

During the six months ended 30 June 2011, additions to property, plant and equipments amounted to HK\$8,914,000 (six months ended 30 June 2010: HK\$10,600,000) and disposal amounted HK\$1,549,000 (six months ended 30 June 2010: HK\$1,414,000).

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2011 HK'000 (Unaudited)	As at 31 December 2010 HK'000 (Audited)
Trade and bills receivables	239,065	212,077
Less: Allowance for trade receivables	<u>(86)</u>	<u>(167)</u>
	238,979	211,910
Other receivables	3,796	2,227
Prepayments and deposits	<u>11,792</u>	<u>16,056</u>
	<u>254,567</u>	<u>230,193</u>

The ageing analysis of the trade and bills receivables at the end of the reporting period is as follows:

	As at 30 June 2011 HK'000 (Unaudited)	As at 31 December 2010 HK'000 (Audited)
Within 3 months	223,265	201,340
Over 3 months but within 6 months	14,679	10,028
Over 6 months but within 1 year	641	202
Over 1 year	<u>480</u>	<u>507</u>
	239,065	212,077
Less: Allowance for trade receivables	<u>(86)</u>	<u>(167)</u>
	<u>238,979</u>	<u>211,910</u>

The normal credit period granted to the customers of the Group is 60 to 90 days (2010: 60 to 90 days). Allowance for trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

10. PLEDGED BANK DEPOSITS

The Company has pledged bank deposits of approximately RMB62,000,000 to secure a revolving loan facility of HK\$67,000,000 granted to the Company.

11. TRADE AND OTHER PAYABLES

	As at 30 June 2011 HK'000 (Unaudited)	As at 31 December 2010 HK'000 (Audited)
Trade payables	63,566	53,043
Bills payables	25,817	51,801
	89,383	104,844
Amount due to a related company	–	85
Other payables	7,979	9,926
Financial liabilities measured at amortised cost	97,362	114,855

The aging analysis of the trade and bills payables is as follows:–

	As at 30 June 2011 HK'000 (Unaudited)	As at 31 December 2010 HK'000 (Audited)
Within 3 months	78,298	73,351
Over 3 months but within 6 months	7,918	29,131
Over 6 months but within 1 year	1,392	1,282
Over 1 year	1,775	1,080
	89,383	104,844

12. SHARE CAPITAL

HK\$'000

Authorised:

As at 31 December 2010	
– 2,000,000,000 ordinary shares of HK\$0.050 each (Audited)	100,000
As at 30 June 2011	
– 4,000,000,000 ordinary shares of HK\$0.025 each (Unaudited)	100,000

Issued and fully paid:

As at 31 December 2010	
– 604,840,310 ordinary shares of HK\$0.05 each (Audited)	30,242
As at 30 June 2011	
– 1,209,680,620 ordinary shares of HK\$0.025 each (Unaudited)	30,242

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 27 June 2011, every one issued and unissued ordinary share of HK\$0.050 each in the share capital of the Company be subdivided into 2 shares of HK\$0.025 each. Upon the share subdivision becoming effective on 28 June 2011, the authorised share capital of the Company became HK\$100,000,000 divided into 4,000,000,000 subdivided shares, of which 1,209,680,620 subdivided shares are in issue and fully paid.

13. EVENTS AFTER THE REPORTING PERIOD

On 8 July 2011, the Company entered into a Placing Agreement with the Placing Agent to place 192,000,000 warrants. The placing price is HK\$0.002 per Warrant and the subscription price is HK\$0.35 per Warrant Share. On 21 July 2011, the Company completed the placing of the warrants to not less than six independent Placers.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

Turnover for the Period was approximately HK\$259.51 million, representing a decrease of approximately 1.65% as compared with approximately HK\$263.87 million for the corresponding period last year.

Gross profit

Gross profit for the Period was approximately HK\$42.68 million, representing a decrease of approximately 10.22% as compared with approximately HK\$47.54 million for the corresponding period last year. The overall profit margin for the period decreased from 18.02% to 16.45%. The decrease in profit margin was due to the continuous rise in the costs of fuel, electricity and labour cost which were difficult to shift all the increasing costs to the customers in the current circumstances.

Other operating income

Other operating income for the Period was approximately HK\$4.21 million, representing an increase of approximately 178.10% as compared with approximately HK\$1.51 million for the corresponding period last year. The increase of other operating income was mainly due to the Company has converted the majority of Hong Kong dollar fund raised from the share placement by the Company in December 2010 to RMB62 million time deposits and has pledged that RMB62 million time deposits to a bank in Hong Kong to secure a revolving loan facility of HK\$67 million granted to the Company. The exchange gain and interest income from that RMB62 million time deposits for the Period was approximately HK\$2.07 million

Finance costs

Finance costs for the Period were approximately HK\$4.94 million, representing an increase of approximately 54.94% as compared with approximately HK\$3.19 million for the corresponding period last year. The increase of finance costs was due increase in loan amounts and increase in interest rates.

The Group expects the finance costs in the second half of 2011 will be significantly reduced as compared with first half of 2011, mainly due to one of the Company's subsidiary in Hong Kong has completed to increase the registered capital of RMB40 million to another Company's subsidiary in the PRC in June 2011. The Group expects its subsidiaries in the PRC will effectively reduce the finance costs in the second half of 2011, including to reduce interest expense of discounting bills receivables (承兌匯票) that will be charged with very high interest rate.

Profit for the Period

Profit attributable to equity holders of the Company for the Period was approximately HK\$11.27 million, representing a decrease of approximately 14.36% as compared with approximately HK\$13.16 million for the corresponding period last year.

Business Review

The Group mainly focuses on the production and sale of expandable polystyrene (“EPS”) and paper honeycomb packaging products. The Group is in a market leading position in the cushion packaging industry for household electrical appliances in the PRC. The Group provides excellent integrated packaging solutions to its customers, including design, development, testing and production of cushion packaging products. The Group has well-established business networks including renowned electrical appliance manufacturers in the PRC. The Group has production facilities in Qingdao, Hefei and Dalian.

2011 is an important milestone of the Group’s business development. Ever since the Group acquired two excellent EPS packaging businesses in January 2008 and the efforts of the management and staff in the past several years as well as the continued support of the customers and suppliers, the Group has achieved the profit requirement for the transfer for its listing from the Growth Enterprise Market to the main board. The Company was successfully transferred its listing to the main board of The Stock Exchange of Hong Kong Limited on 12 May 2011.

During the Period under review, the Group committed to broaden the sources of income and reduce the operating costs. In addition to consolidate the existing business, the Group also actively developed the new customers and the new markets. During the Period under review, the continuous rise in the costs of fuel, electricity, labour cost and ancillary materials brought high pressures on the Group’s operating costs, the Group put strenuous efforts to implement effective cost-control measures, through strengthening internal management and improving operating processes resulting in a more streamlined operation and increased overall production efficiency.

Business Outlook

In 2011, the Group’s core strategies are “to expand production capacity, optimize product structures, strengthen internal management, develop new businesses and team building”.

Expand Production Capacity

To facilitate the development of growing business, the Group is actively considering to construct a new production plant in Qingdao. With the establishment of new production plant, the Group will increase the production capacity and provide better services to its customers located in Qingdao and enhance the Group’s future profitability.

Optimize Product Structures

In addition to consolidating the existing household electrical appliance packaging business, the Group will continue to optimize its product structures so as to boost sales value.

Strengthen Internal Management

The Group will continue to strengthen its internal management, establish a sound internal control system to enable the Group’s continuous, stable and healthy development.

The Group will continuously simplify and improve procedures and processes to make operations more streamlined. The Group will convene regular internal meetings to facilitate communication among the Group’s subsidiaries in order to promote market information and exchange production technology so that all departments complement each other in their respective merits and enhance overall efficiency.

The Group will strengthen production technology management, equipment management and mould management, enhance production efficiency and product quality in order to achieve efficiency and increase overall productivity and profits.

Develop New Businesses

In addition to consolidating the existing household electrical appliance packaging business, the Group has achieved initial success in developing the automotive packaging business. In January 2011, the Group has established a joint venture company – Jinan Haijing Packing Material Co., Ltd (“Jinan Haijing”) in Jinan City, Shangdong Province of the PRC. Jinan Haijing has commenced its operation and its customers’ including one of the leading heavy-duty trucks manufacturer in the PRC. Jinan Haijing provides integrated packaging solutions for the export of the automobiles and their related components to its customers, including design, development, testing and production of cushion packaging products for the export of the automobiles and their related components.

During 2010, a subsidiary of the Group was successfully accredited by International Safe Transit Association “ISTA”, representing the laboratory test results made by that subsidiary meets the test standard of ISTA and can win global credibility recognition. It laid a good foundation for the automotive packaging business.

The PRC seldom has the large-scale automotive packaging enterprises as the automotive packaging industry is in its infancy in the PRC, whereas it is expected that there will be a significant grow for the export of the automobiles and their related components during the period of “Twelfth Five-Year Plan”, so the Group believes that there will be a great development potential for the automotive packaging industry in the PRC.

Looking forward, in addition to expand the automotive packaging business, improve and enhance the automotive packaging technology and efficiency of Jinan Haijing, the Group is actively considering to establish the second automotive packaging company. The Group is highly competitive in the development of the automotive packaging business as the Group has a management team that has over 10 years of experience in managing packaging business, has a professional design company with professional designers and has an ISTA accredited laboratory.

Team building

The Group has adhered to the “people-oriented” enterprise conviction and strongly believes that only having outstanding human resources can enhance the overall competitiveness and cohesive spirit of the Group. The Group has adopted a share option scheme and offered a refined incentive bonus program to its staff. The Group provides ongoing staff training, offers fair and equitable promotional opportunities to its staff and provides a platform to its staff for their career advancement so as to enhance the quality of management and operations skills of the staff, nurture and reserve the key human resources for future development of the Group.

Liquidity and financial resources

As at 30 June 2011, shareholders’ funds of the Group amounted to approximately HK\$351.75 million, the Group’s current assets amounted to approximately HK\$400.54 millions and the Group’s current liabilities amounted to approximately 247.78 million which mainly comprised its trade and other payables and interest-bearing bank borrowings. Taken into consideration of its current financial resources, the Group shall have adequate capital for its continual operation and development.

Pledge of assets

As at 30 June 2011, the Group pledged assets with aggregate carrying value of HK\$141.98 million (As at 31 December 2010: HK\$78.06 million) to secure banking facilities.

Capital commitment

As at 30 June 2011, the Group did not have any significant capital commitment.

Contingent liabilities

As at 30 June 2011, the Group did not have any significant contingent liabilities.

Hedging

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES

As at 30 June 2011, the Group employed a total of 1,258 (as at 31 December 2010: 1412) employees based in the PRC and Hong Kong. Employees were remunerated based on their performance, experience and industry practices.

SHARE OPTIONS SCHEME

The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include any employees, directors, substantial shareholders or any of their respective associates of the Company and/or any of its subsidiaries or associated companies.

The following table discloses the movement of the Company's share options during the six months ended 30 June 2011.

	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				Balance as at 30/6/2011
				Balance as at 1/1/2011	Effect of share subdivision	Exercised during the period	Lapsed upon resignation	
Category 1								
Directors								
Wang Yi	6/11/2009	6/11/2011-5/11/2013	0.105	4,000,000	4,000,000	-	-	8,000,000
Hui Hongyan	6/11/2009	6/11/2011-5/11/2013	0.105	2,336,000	2,336,000	-	-	4,672,000
Deng Chuangping	6/11/2009	6/11/2011-5/11/2013	0.105	2,880,000	2,880,000	-	-	5,760,000
				<u>9,216,000</u>	<u>9,216,000</u>	<u>-</u>	<u>-</u>	<u>18,432,000</u>
Category 2								
Employees	6/11/2009	6/11/2009-5/11/2013	0.105	74,000	-	-	(74,000)	-
Employees	6/11/2009	6/11/2011-5/11/2013	0.105	14,449,000	13,861,000	-	(588,000)	27,722,000
				<u>14,523,000</u>	<u>13,861,000</u>	<u>-</u>	<u>(662,000)</u>	<u>27,722,000</u>
				<u>23,739,000</u>	<u>23,077,000</u>	<u>-</u>	<u>(622,000)</u>	<u>46,154,000</u>

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2011, the interests or short positions of the Directors and the Chief Executive 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 (the "SFO"), as recorded in the register kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by the Directors of Listed issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") were as follows:

Long positions in the shares and underlying shares of the Company

Name of Director	Personal interests	Corporate interest	Number of underlying shares held under equity derivatives	Total	Approximate % of issued share capital
Mr. Chao Pang Fei ("Mr. Chao")	36,120,000	690,396,020 (Note 1)	-	726,516,020	60.06
Mr. Wang Yi	-	-	8,000,000 (Note 2)	8,000,000	0.66
Ms Hui Hongyan	-	-	4,672,000 (Note 2)	4,672,000	0.39
Mr. Deng Chuangping	840,000	-	5,760,000 (Note 2)	6,600,000	0.55

Notes:

- These shares are legally owned by Haijing Holdings Limited ("Haijing Holdings"), 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 Holdings, Mr. Chao is taken to be interested in all the shares of the Company held by Haijing Holdings pursuant to Part XV of the SFO.
- These interests represented the interest in underlying shares in respect of share options granted by the Company to these directors as beneficial owners.

Save as disclosed above, as at 30 June 2011, none of the Directors or the Chief Executive of the Company nor their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of SFO, to be entered in the register referred to therein; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, so far as is known to the Directors of the Company, the following, not being a Director or the Chief Executive of the Company, have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of SFO:

Long positions in the shares of the Company

Name	Types of interests	Number of shares	Approximate % of interest
Haijing Holdings	Beneficial owner	690,396,020	57.07
Ms. Sam Mei Wa (<i>Note</i>)	Interest of spouse	726,516,020	60.06

Note:

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

Save as disclosed above, as at 30 June 2011, the Directors of the Company were not aware of any persons who has an interest or short position in the Shares, or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as the code for Directors' securities transactions ("the Model Code"). Having made specific enquiry, all the Directors confirmed their compliance with the required standard set out in the Model Code throughout the six months ended 30 June 2011.

PURCHASE, DISPOSAL OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2011, neither the Company, nor any of its subsidiaries purchased, disposed of or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Save and except the following deviation from the code provisions set out in the Code on Corporate Governance Practices (the “CCGP”) as contained in Appendix 14 of the Listing Rules, the Company had, throughout the six months ended 30 June 2011 complied with the CCGP.

Mr. Chao Pang Fei is the Chairman and chief executive officer of the Company. In view of the scale of operations of the Company and the fact that daily operations of the Group’s business is delegated to the senior executives and departments heads, the Board considers that vesting the roles of both Chairman and chief executive officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. Save as disclosed, the Company has met the code provisions set out in the CCGP throughout the six months ended 30 June 2011.

AUDIT COMMITTEE

In accordance with the requirement of the 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. Ho Ka Wing, Mr. Sin Ka Man and Ms Chen Hongfang.

The Group’s unaudited condensed consolidated interim results for the six months ended 30 June 2011 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 of
Sino Haijing Holdings Limited
Chao Pang Fei
Chairman

Hong Kong, 26 August 2011

As at the date of this report, the Board comprises of Mr. Chao Pang Fei (executive Director), Mr. Wang Yi (executive Director), Ms. Hui Hongyan (executive Director), Mr. Deng Chuangping (executive Director), Mr. Lan Yu Ping (non-executive Director), Mr. Ho Ka Wing (independent non-executive Director), Mr. Sin Ka Man (independent non-executive Director) and Ms. Chen Hongfang (independent non-executive Director).