CHINA HAIDIAN HOLDINGS LIMITED

中國海澱集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 256)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

AUDITED RESULTS

The board of directors (the "Board") of China Haidian Holdings Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2005 together with the consolidated balance sheet of the Group as at 31 December 2005, and the notes with comparative figures for the year ended 31 December 2004 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000
REVENUE	4	620,709	523,802
Cost of sales		(537,975)	(426,332)
Gross profit		82,734	97,470
Other income	4	9,992	7,927
Selling and distribution costs		(53,665)	(46,087)
Administrative expenses		(71,636)	(62,646)
Other operating income, net		13,144	41,068
Finance costs	6	(2,699)	(10,382)
PROFIT/(LOSS) BEFORE TAX	5	(22,130)	27,350
Tax	7	(21,581)	(15,933)
PROFIT/(LOSS) FOR THE YEAR		(43,711)	11,417
Attributable to:			
Equity holders of the parent		(43,275)	11,373
Minority interests		(436)	44
		(43,711)	11,417
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		HK (2.80) cents	HK0.74 cent
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		213,587	229,810
Investment properties		66,689	84,971
Prepaid land lease payments		48,029	50,679
Goodwill		–	4,816
Interests in associates		–	–
Available-for-sale investments		–	–
Investment securities		–	20,240
Long term investment		–	3,477
Properties under development		291,046	61,503
Prepayments and deposits		48,128	2,626
Deferred tax assets		1,021	1,000
Total non-current assets		668,500	459,122
CURRENT ASSETS			
Properties for sale		70,330	–
Properties under development		194,133	289,102
Inventories		105,922	95,295
Trade and bills receivables	*10*	25,288	17,480
Prepaid land lease payments		3,619	3,546
Prepayments, deposits and other receivables		37,212	68,539
Securities measured at fair value through profit or loss/short term investments		44,210	12,792
Due from minority equity holders		7,480	–
Pledged deposits		18,653	4,845
Cash and cash equivalents		370,909	186,826
Total current assets		877,756	678,425
CURRENT LIABILITIES			
Trade payables	*11*	108,760	89,989
Deposits received from customers		255,163	91,516
Other payables and accruals		98,135	91,881
Tax payable		12,007	16,896
Interest-bearing bank borrowings		96,154	28,269
Due to related companies		134	3,374
Total current liabilities		570,353	321,925
NET CURRENT ASSETS		307,403	356,500
TOTAL ASSETS LESS CURRENT LIABILITIES		975,903	815,622
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		317,308	310,959
Deferred tax liabilities		794	–
Deferred income		177,906	–
Due to an associate		–	3,649
Total non-current liabilities		496,008	314,608
Net assets		479,895	501,014

EQUITY

Equity attributable to equity holders of the parent

Issued capital	154,483	154,483
Reserves	304,535	344,410
	459,018	498,893
Minority interests	20,877	2,121
Total equity	479,895	501,014

NOTES

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements 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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, securities measured at fair value through profit or loss and certain available-for-sale investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Starting from financial year ended 31 December 2005, the Group has adopted all HKFRSs pertinent to its operations. The applicable HKFRSs are set out below and certain comparative figures of the Accounts have been restated and reclassified 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 11	Construction Contracts
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 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
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
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 3	Revenue – Pre-completion Contracts for the Sale of Development Properties
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 20, 21, 23, 27, 28, 33, 37, HKFRS 2, and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 – Leases

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is classified as prepaid land lease payments, while leasehold buildings will be classified as part of property, plant and equipment. Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no material effect on the consolidated income statement and accumulated losses. The comparative amounts for the year ended 31 December 2004 in the consolidated balance sheet have been restated to reflect the reclassification of the leasehold land.

(b) HKAS 32 and HKAS 39 – Financial Instruments

In prior years, the Group classified its investments in equity securities as investment securities and long term investments, held for non-trading purposes and were stated at cost, and the Group's share of the investee company's net assets value at the time of its transfer to a long term investment, respectively, less any impairment losses.

Upon the adoption of HKAS 39, these investment securities and long term investment held by the Group at 1 January 2005 of HK$20,240,000 and HK$3,477,000, respectively, are designated as available-for-sale investments under the provisions of HKAS 39 and are stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment as more fully explained in note 2.5.

In prior years, the Group classified its investment in equity securities for trading purposes as short term investments, and were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these investments held by the Group at 1 January 2005 in the amount of HK$12,792,000 are designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

The effects of the above changes are summarised in note 2.4 to the financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(c) HKAS 40 – Investment property

In prior years, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

The adoption of HKAS 40 has had no material impact on the consolidated income statement and accumulated losses.

Investment property is now presented separately on the face of the consolidated balance sheet. Comparative amounts have been reclassified to conform with the current year's presentation.

(d) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior years, goodwill arising on acquisitions prior to 1 January 2001 was eliminated against consolidated reserves in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired businesses.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill. Goodwill previously eliminated against the consolidated reserves remains eliminated against the consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates become impaired.

The effect of the above changes are summarised in note 2.4 to the financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

(e) HK Int 3 – Revenue – Pre-completion Contracts for the Sale of Development Properties

Properties under development are stated at cost which includes all development expenditure, interest charges and other costs directly attributable to such properties.

Properties under development with pre-completion contracts entered into on or before 31 December 2004 are stated at cost plus attributable profits less any foreseeable losses, and deposits and instalments received. The total estimated profit of such properties is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on the pre-sold portion of the properties is calculated by reference to the proportion of construction costs incurred up to the balance sheet date, to the estimated total construction costs to completion, but is limited to the amount of sales deposits and instalments received and with due allowance for contingencies (the "Percentage of Completion Method").

HK-Int 3, which is effective for the pre-completion contracts for sale of development properties entered into on or after 1 January 2005, generally requires revenue from the sale of properties to be recognised when the significant risks and rewards of ownership of the properties have been transferred to the buyers and the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold, which is usually at the time when the Group has no further substantial acts to complete under the contracts.

The Group has not applied HK-Int 3 retrospectively to pre-completion contracts for the sale of development properties entered into before 1 January 2005 in these consolidated financial statements, which continues to be accounted for on the Percentage of Completion Method.

The effect of the above changes are summarised in note 2.4 to the financial statements.

(f) HK(SIC)-Int 21 – Income Taxes – Recovery of Revalued Non-depreciable Assets

In prior periods, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC)-Int 21, deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use, and accordingly the profits tax rate has been applied to the calculation of deferred tax.

The adoption of HK(SIC)-Int 21 has had no material impact to the previously reported figures of the Group.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HKAS 21 Amendment	Net Investment in a Foreign Operation

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 incorporates the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

Except as stated above, the Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

At 31 December 2004 Effect of new policies (Increase/(decrease))	Effect of adopting HKAS 1# Presentation *HK$'000*	 HKAS 17# Prepaid land lease payments *HK$'000*	 Total *HK$'000*
Assets			
Property, plant and equipment	(84,971)	(54,225)	(139,196)
Investment properties	84,971	–	84,971
Prepaid land lease payments	–	54,225	54,225
			–

At 1 January 2005 Effect of new policies (Increase/(decrease))	Effect of adopting HKAS 1# Presentation *HK$'000*	 HKAS 17# Prepaid land lease payments *HK$'000*	 HKASs 32# and 39* Change in classification of equity investments *HK$'000*	 Total *HK$'000*
Assets				
Property, plant and equipment	(84,971)	(54,225)	–	(139,196)
Investment properties	84,971	–	–	84,971
Prepaid land lease payments	–	54,225	–	54,225
Available-for-sale investments	–	–	20,792	20,792
Long term investment	–	–	(3,477)	(3,477)
Investment securities	–	–	(20,240)	(20,240)
Securities measured at fair value through profit or loss	–	–	12,792	12,792
Short term investments	–	–	(12,792)	(12,792)
				(2,925)
Equity				
Accumulated losses	–	–	(2,925)	(2,925)

* Adjustments taken effect prospectively from 1 January 2005

\# Presentation taken effect retrospectively

At 31 December 2005 Effect of new policies (Increase/(decrease))	Effect of adopting HK-Int 3 Revenue-Pre-completion contract *HK$'000*	 HKAS 1# Presentation *HK$'000*	 HKAS 17# Prepaid land lease payments *HK$'000*	 HKASs 32# and 39* Change in classification of equity investments *HK$'000*	 HKFRS 3 Discontinuation of amortisation of goodwill *HK$'000*	 HK(SFC)-Int 21 Deferred tax on revaluation of investment properties *HK$'000*	 Total *HK$'000*
Assets							
Property under development	(158,425)	–	–	–	–	–	(158,425)
Property, plant and equipment	–	(66,689)	(51,648)	–	–	–	(118,337)
Investment properties	–	66,689	–	–	–	–	66,689
Prepaid land lease payments	–	–	51,648	–	–	–	51,648
Prepayments, deposits and other receivables	(10,925)	–	–	–	–	–	(10,925)
Goodwill	–	–	–	–	584	–	584
Securities measured at fair value through profit or loss	–	–	–	44,210	–	–	44,210
Short term investments	–	–	–	(44,210)	–	–	(44,210)
							(168,766)
Liabilities/equity							
Deposit received	(218,495)	–	–	–	–	–	(218,495)
Other payables	10,291	–	–	–	–	–	10,291
Tax payable	18,138	–	–	–	–	794	18,932
Retained profits	20,716	–	–	–	584	(794)	20,506
							(168,766)

(b) Effect on the balances of equity at 1 January 2005

Effect of new policy	HKAS 39 Designation of available-for-sale investments *HK$'000*
Increase in accumulated losses at 1 January 2005	2,925

(c) Effect on the consolidated income statement for the year ended 31 December 2005

At 31 December 2005 Effect of new policies (Increase/(decrease))	Effect of adopting HK-Int 3 Revenue-Pre-completion contract *HK$'000*	HKFRS 3 Discontinuation of amorisation of goodwill *HK$'000*	HK(SIC)-Int 21 Deferred tax on revaluation of investment properties *HK$'000*	Total *HK$'000*
Year ended 31 December 2005				
Revenue	207,570	–	–	207,570
Cost of sales	168,716	–	–	168,716
Other expenses	–	(584)	–	(584)
Tax	18,138	–	794	18,932
				187,064
Total increase/(decrease) in profit	20,716	584	(794)	20,506
Increase/(decrease) in basic loss per share	(1.33) cent	(0.04) cent	(0.05) cent	(1.32) cent

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) property development;

(b) manufacture and distribution of watches and timepieces;

(c) manufacture and distribution of timber products (the "Timber Business");

(d) manufacture and distribution of enamelled copper wires;

(e) property investment; and

(f) corporate and others segment, comprising corporate income and expense items and other businesses.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information. For the Group's business segments for the year ended 31 December 2005 and 2004.

Group

	Property development		Watches and timepieces		Timber products		Enamelled copper wires		Property investment		Corporate and others		Consolidated	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:														
Sales to external customers	299,339	217,920	122,884	104,538	174,010	194,119	18,332	–	6,144	5,212	–	2,013	620,709	523,802
Other revenue	2,605	30	835	497	3,632	6,844	1,778	–	–	–	1,142	556	9,992	7,927
Total	301,944	217,950	123,719	105,035	177,642	200,963	20,110	–	6,144	5,212	109,562	2,569	630,701	531,729
Segment results	15,883	32,187	18,940	9,962	(37,578)	(27,137)	(612)	–	5,060	19,662	(21,124)	3,058	(19,431)	37,732
Finance costs													(2,699)	(10,382)
Profit/(loss) before tax													(22,130)	27,350
Tax													(21,581)	(15,933)
Profit/(loss) for the year													(43,711)	11,417
Segment assets	947,452	402,070	106,312	73,238	284,814	291,582	48,119	–	49,997	86,347	109,562	284,310	1,546,256	1,137,547
Segment liabilities	537,813	194,256	28,102	27,852	64,106	39,444	1,531	–	7,317	15,221	427,492	359,760	1,066,361	636,533

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the year ended 31 December 2005 and 2004.

Group

	Hong Kong		Mainland China		Consolidated	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Sales to external customers	33,785	45,411	586,924	478,391	620,709	523,802
Other segment information:						
Segment assets	84,359	198,406	1,461,897	939,141	1,546,256	1,137,547
Capital expenditure	110	2,415	68,761	7,421	68,871	9,836

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, mainly represents the net invoiced value of goods sold, after allowances for returns and trade discounts, an appropriate proportion of revenue from the sale of properties under development and rental income received and receivable.

An analysis of revenue and other income is as follows:

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Revenue		
Sale of goods	315,226	298,657
Sale of properties under development	299,339	217,920
Gross rental income	6,144	5,212
Interest income	–	2,013
	620,709	523,802
Other income		
Interest income	4,397	–
Dividend income from listed investments	238	537
PRC valued-added tax refund	3,030	5,384
Others	2,327	2,006
	9,992	7,927
	630,701	531,729

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	**2005** *HK$'000*	**2004** *HK$'000* (Restated)
Cost of inventories sold**		537,975	426,332
Depreciation		18,282	20,865
Amortisation of prepaid land lease payments		3,585	3,085
Goodwill:			
Amortisation for the year*		–	584
Impairment arising during the year*		4,816	–
		4,816	584
Minimum lease payments under operating leases in respect of land and buildings		4,723	4,853
Auditors' remuneration		1,480	1,350
Employee benefits expenses (excluding directors' remuneration)			
Wages and salaries		40,641	43,596
Pension schemes contributions		2,431	2,539
Less: Forfeited contributions		(18)	(61)
Net pension schemes contributions		2,413	2,478
Total staff costs		43,054	46,074
Gross rental income		6,144	5,212
Less: Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		(2,342)	(1,450)
Net rental income		3,802	3,762
Fair value changes on securities measured at fair value through profit or loss/short-term investments, net*		2,696	(1,699)
Gain on disposal of securities measured at fair value through profit or loss/short-term investments, net*		(2,367)	(515)
Gain on disposal of available-for-sale investments*		(13,145)	–
Gain on disposal/write-off of items of property, plant and equipment, net*		(1,429)	(1,285)
Changes in fair value of investment properties*		(3,378)	(17,224)
Reversal of impairment of items of property, plant and equipment*		–	(21,671)
Impairment of available-for-sale investment*		3,477	–
Gain on disposal of a subsidiary*		–	(59)
Gain on disposal of an associate*		(3,769)	–
Provision for inventories**		3,775	12,048

* These amounts are included in "Other operating income, net" on the face of the consolidated income statement.

** Cost of inventories sold includes HK$42,318,000 (2004: HK$45,414,000) relating to staff costs, depreciation, amortisation of prepaid land lease payments, provision for inventories and minimum lease payments under operating leases in respect of land and buildings, which is also included in the respective total amounts disclosed separately above for these types of expenses.

6. FINANCE COSTS

	Group	
	2005 *HK$'000*	**2004** *HK$'000*
Interests on bank and other loans wholly repayable within five years	23,053	27,795
Less: Interest capitalised	(20,354)	(17,413)
	2,699	10,382

7. TAX

For the year ended 31 December 2005, Hong Kong profits tax for the Group has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the year (2004: 17.5%). The subsidiaries established in the PRC are subject to income taxes at tax rates ranging from 15% to 33%.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Current tax charge for the year:		
Hong Kong	303	34
Elsewhere	20,510	15,797
Underprovision/(overprovision) current tax in respect of prior years	(26)	102
Deferred tax charge	794	–
Total tax charge for the year	21,581	15,933

8. DIVIDEND

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

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share is based on the net loss for the year attributable to ordinary equity holders of the Parent, of HK$43,275,000 (2004: net profit of HK$11,373,000), and the 1,544,831,000 (2004: 1,544,831,000) ordinary shares in issue during the year.

Diluted earnings/(loss) per share amounts for the years ended 31 December 2005 and 2004 have not been disclosed as no diluting events existed during these years.

10. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for certain customers, where payment in advance is required. The credit period is generally for a period of one month, extending up to three months for major customers except for customers of the Group's property development business whose settlements are made in accordance with the sales contract entered into between the Group and the customers. Each customer has a maximum credit limit. Trade debtors with balances that are more than three months overdue are required to settle all outstanding balances before any further credit is granted. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aging analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date, and net of provisions, is as follows:

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
1 to 3 months	24,827	13,601
4 to 6 months	–	3,683
7 to 12 months	461	29
More than 1 year	–	167
	25,288	17,480

The carrying amounts of trade and bills receivable approximate to their fair values.

11. **TRADE PAYABLES**

An aging analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
1 to 3 months	97,763	80,372
4 to 6 months	2,811	2,670
7 to 12 months	935	1,193
More than 1 year	7,251	5,754
	108,760	89,989

The trade payables are non-interest-bearing and are normally settled on 60-day terms. The carrying amounts of the trade payables approximate to their fair values.

FINAL DIVIDEND

The Board has resolved not to distribute a final dividend for the year ended 31 December 2005 (2004: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS

For the year ended 31 December 2005, the Group's revenue amounted to HK$620,709,000, representing an increase of HK$96,907,000 as compared with last year. Loss before tax amounted to HK$22,130,000.

(1) Property Development Business

In 2005, Beijing Jing Guan Property Development Co. Ltd. ("Beijing Jing Guan"), a wholly-owned subsidiary of the Group, has achieved satisfactory operating results. During the year under review, affected by the "8.31" land policy introduced in 2004, Beijing property market also suffered from the impact of the PRC Government's macro control policies implemented in the beginning of the year. Even though there are no significant fluctuations in the market, yet the market had taken a conservative approach during the year. The property market became active subsequently and the price continued to surge, but the momentum of the rapid growth in the price had been suppressed by the PRC Government's macro control policies. However, such situation resulted in a more healthy, rational and steady development for Beijing property market.

In light of the fluctuation in Beijing property market, Beijing Jing Guan further standardized its internal corporate management while deploying substantial efforts in team building and corporate culture development. In addition, it also actively extended efforts on its property development project, "Sunpalace Mercury Garden", located in East Part of E Area, Taiyanggong New District Taiyanggong North Street, Beijing, the PRC, and aggressively promoted the sales of remaining property units. As at 31 December 2005, the Sunpalace Mercury Garden Project has completed the contract with the aggregate value of RMB840,000,000, capital collected amounted to RMB827,000,000 and the collection rate was 98.07%. Block nos. 1, 3, 4 and 5 of the Sunpalace Mercury Garden were completed and delivered for occupancy. In addition, Beijing Jing Guan adjusted the selling price according to the sales feedback. With great market demand for residential apartments, the Company has adjusted the overall selling price three times in 2005. According to statistics, the average selling price per square meter of the Sunpalace Mercury Garden has increased by 20.26% in 2005 comparing with that of 2004.

Meanwhile, with the aim of sustaining the stable development in the property development business, the Company has also committed to speed up the "Guangqumen Project", redevelopment of old buildings in Guangqumen South Street, Chongwen District in Beijing. Significant progress has been achieved in the planning and design, preparation for demolition and relocation and fund raising.

(2) Watches and Timepieces Business

The revenue of EBOHR Luxuries International Company Limited ("EBOHR Luxuries"), a wholly-owned subsidiary of the Group, has increased by approximately 18% in 2005 over the previous year, contributing to a net profit of approximately RMB17,080,000 to the Group. The growth mainly attributable to:

(i) firmly implement the strategies to promote the reputation and value of the brand;

(ii) constantly introduce innovative design, craftsmanship and materials, and combined sales strategies of the brand operating centre and design development centre, successfully improved the number the sales volume launched of new products;

(iii) calmly alleviate the adverse impact arising from fierce price reduction amongst its competitors on EBOHR watches, insist in the existing pricing policy of the Company, appropriately adjust the selling price with an upward markup rate, which increased the gross profit contributions of popular products. On the other hand, adopting scientific flexible strategy in raw material procurement to reduce in procurement cost, in order to boost the simultaneous growth of sales and selling gross profit; and

(iv) constantly maintain its competitive edge and the leading position of the bulk purchases business, sales volume exceeded established targets.

(3) Timber Business

Timber business still experienced very tough condition in 2005. Under the PRC Government's macro control policies, rising prices of international crude oil and raw materials, together with the increasingly intense market competition, operating environment of Seti Timber Industry (Shenzhen) Company Limited ("Seti Timber") remained difficult. Given the changes in timber market, Seti Timber has adopted timely measures in 2005 to adjust the manufacturing structure so as to minimize the sales loss. However, due to the fierce competition, the decreased production cost fell behind the decreasing speed of market selling price. As a result, unsatisfactory performance led to the operating loss recorded under the year of review.

(4) Enamelled Copper Wires Business

Fuzhou Dartong M&E Co., Ltd. ("Dartong"), a joint venture owned as to 49% interest by the Company, has commenced production of enamelled copper wires used in colour television panels, colour picture tubes, transducers and air conditioner compressors in September 2005. As the year under review was the trial stage of new equipments, and in view of the short period of time, only four months of production and sales, fixed cost to the percentage of production volume, was rather high. A loss of approximately RMB640,000 was recorded. However, the Group believed that the production scale of the enamelled copper wires will achieve its scheduled requirements as the rising demand for the enamelled copper wires continues, from which the performance of the sector is expected to be improved for the year 2006.

(5) Property Investment

The factory complex in Dongguang, Guangdong Province, the PRC; the property on 2nd Lower Ground Floor, Jin Hua Building, Yan He South Road, Luohu District, Shenzhen; and the office floor and three shop units on Xianghua Road, Zhuhai owned by the Group have all been used for leasing purposes, and generated stable rental returns for the year under review.

FINANCIAL POSITION

(1) Liquidity, Financial Resources and Capital Structure

As at 31 December 2005, the Group had non-pledged cash and bank balances of approximately HK$370,909,000 (31 December 2004: HK$186,826,000). Based on the bank loans of HK$413,462,000 (31 December 2004: HK$339,228,000) and shareholders' equity of HK$459,018,000 (31 December 2004: HK$498,893,000), the Group's gearing ratio (being loans divided by shareholders' equity) was 90% (31 December 2004: 68%).

The Group's bank loans were all dominated in Renminbi. As at 31 December 2005, the Group's bank loans amounting to HK$96,154,000 (23% of the bank loan) are repayable within one year.

(2) Charge on Assets

(1) Bank loans of HK$384,616,000 were granted to Beijing Jing Guan. Of which HK$317,308,000 is secured by the land use rights of the East Part of E Area, Taiyanggong New District, Chao Yang Qu, Beijing, the PRC. The other bank loan of HK$67,308,000 is secured by the property of Guanchang Yuan Haidian District, Beijing, the PRC.

(2) Bank loans of HK$28,846,000 and other banking facilities of Seti Timber are secured by time deposits of approximately HK$1,465,000 and land and buildings in Nanshan District, Shenzhen owned by the Group situated in PRC with a net book value amounting to approximately HK$141,435,000 as at 31 December 2005.

(3) Capital Commitments

As at 31 December 2005, the Group had capital commitments of approximately HK$2,033,515,000 mainly related to the construction costs payable in respect of the Group's property development projects in Beijing, proposed acquisition of 21% equity interests in Beijing Haidian Science Park Development Co., Ltd. and the purchase of investment property "RESIDENCE BEL-AIR". The capital commitments will be satisfied by funds generated from the sales of properties and the Group's available cash.

(4) Contingent Liabilities

During the year, the Group provided guarantees in favour of certain banks for mortgage loans granted by the banks to the buyers of the Group's properties under development to the extent of approximately HK$242,000,000 in aggregate. As at the balance sheet date, mortgages loans in aggregate of approximately HK$200,000,000 were utilized by the buyers of the Group's properties under development.

The Company had no material contingent liabilities as at the balance sheet date.

OUTLOOK

According to available statistics, there are signs revealing a continued upward growth of the economy of the PRC. The People's Bank of China advised that due to the existing moderate inflation, there will be no immediate plan for interest rate increment. Coupled with the implement of currency policy, rising growth of the consumption rate, rising national income and positive returns from fixed asset investments will result in an expected economic growth of 8%-9% in the year of 2006.

As the demand for Beijing property market is not only limited within the boundary of Beijing, together driving by the favorable factors arising from Olympic Games in 2008, the market demand is still making sustained growth. The impedient government policy on land management led to a shortage of land, resulting in an inadequate supply from Beijing property market. Numerous developers engaged in Beijing property market resulted in intensifying competition, however, it is difficult to solve the supply-demand problem in the coming two or three years. It is believed that achieving a steady growth is the main trend of Beijing property market in 2006. Therefore, it is crucial to grasp property development opportunity in the coming years.

For the watches and timepieces business, 2006 is the last year for EBOHR Luxuries implementing its third Five-Years Plan. The subject for the year is "Reaching the height", laying down a solid foundation for the commencement of the forth Five-Years Plan in 2007. For the practical side, the Company has been devoting efforts in expanding sales network and agent and distribution business for "FILA" watches. In addition, the Company strove for establishing cooperation with famous international brands. Leveraging on the Company's edge on its sales network and the awareness of the international brands, it will explore win-win development model and seek for new heights for its business growth. At the same time, in order to enhance the efficiency and success of design, research and development, the Company will introduce and execute the PLM synergetic design platform and technology management system, which is the most advanced system in international design sector, helping EBOHR watches to establish foundation for leading in watch design and technology as well as future development beyond its industry.

The Company on 6 April 2006 has entered into a Joint Venture Agreement with Citychamp Dartong Company Limited and 江蘇清江電機股份有限公司 (Jiangsu Qingjiang Electrical Holdings Company Limited) in respect of establishing a joint venture company – 江蘇大通機電有限公司 (Jiangsu Dartong M&E Co., Ltd.) ("Jiangsu Dartong") in which the Company invested RMB25,000,000 and thus holds 25% of interest therein. Jiangsu Dartong mainly engaged in the production and sales of electrical wires and cables, machineries with common usage, mechanical and electrical appliances, mechanical equipments , including the utilization of advanced technology with international standards in operations, production and sales and marketing of special enamelled copper wires products.

Operation strategy of Jiangsu Dartong is to achieve internal growth and expand externally, with the combination of product operation and capital operation as its sales and marketing strategy, aiming at bringing additional capital investment to the Company by way of introduction of foreign investors as its strategic partners, so as to strengthen its economic and future capacities and business development. Leveraging on the advancement in technology know-how, effective management and well-received brands, the Company will carry out different measures, including merger and acquisition, external expansion with low cost, enhancement of production scale, reduction of operation cost, improvement of operating efficiency and control. These measures are in line with the Group's diversification in business strategies and bringing a solid foundation for future business growth.

Moreover, in the past few years, the PRC enamelled copper wires industry developed rapidly. Such rapid growth was mainly attributed to the PRC accession to WTO and the move of world manufacturing base towards the PRC. As a result, the PRC predominates in global production and sales of home appliances, automobiles, motors, electronics information and communication, resulting in the largest sales and production of enamelled copper wires in the world. In view of these, the Group will focus on the production and sales of enamelled copper wires business in 2006 and the coming years.

In 2006, the Group's commits the development of existing property development business, production of watches and timepieces and focusing on the adjustment of timber production variety and production areas, as well as to capitalise business opportunities arose from enormous demand for enamelled copper wires in the PRC and continue to identify other potential opportunity, so as to diversify the Group's businesses, expand the Group's revenue source, and bring about considerable returns to shareholders.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2005, the Group has approximately 2,000 full-time staff in Hong Kong and the PRC. The remuneration packages offered to the employees are determined and reviewed on an arm's length basis with reference to the market condition and individual performance. The Group also provides other benefits to its employees, including year end double pay, medical insurance and retirement benefits, and incentive bonus are offered with reference to the Group's operating results and employees' individual performance. All employees of the Group in Hong Kong have joined the provident fund schemes.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has applied the principles and complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2005, except for the deviations from code provisions A.2.1, A.4.1, A.5.4, B.1.1, C.3.3, D.1.2 and E.1.2 of the Code as explained in the Company's interim report for the period ended 30 June 2005.

To comply with the Code, the Directors will propose to amend the Articles of Association of the Company at the forthcoming 2006 annual general meeting so that any director elected to fill a casual vacancy shall hold office only until the next following general meeting of the Company.

Details of compliance with the Code will be set out in the corporate governance report in the 2005 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2005.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") on 23 August 2005 in compliance with the Listing Rules, terms of reference of which have been adopted by the Board of the Company are consistent with the requirements of the Code. The Remuneration Committee currently comprises three independent non-executive directors, Mr. Fung Tze Wa (the Chairman of the Committee), Dr. Kwong Chun Wai, Michael and Mr. Li Qiang, the Chairman of the Board, Mr. Hon Kwok Lung and the Chief Executive Officer, Mr. Shang Jianguang.

AUDIT COMMITTEE

The audit committee comprises the three existing independent non-executive directors. The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2005.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the period under review.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.chinahaidian.com in due course.

APPRECIATION

The Directors would like to take this opportunity to express our gratitude to all shareholders, customers, bankers, professional consultants, the management as a whole and all staff for their dedication and contribution to the Group during the year under review.

By order of the Board
Hon Kwok Lung
Chairman

Hong Kong, 26 April 2006

As at the date of this announcement, the Board comprises Mr. Hon Kwok Lung, Mr. Wang Shaolan, Mr. Shang Jianguang, Mr. Shi Tao and Mr. Lam Toi Man as the Executive Directors, Ms. Sit Lai Hei as the Non-executive Director, and Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael and Mr. Li Qiang as the Independent Non-executive Directors.