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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

INTERIM RESULTS

The board of directors (the "Board") of China Haidian Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2006 together with comparative figures for the corresponding period in 2005.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2006

		For the six months ended 30 June	
		2006	**2005**
		(Unaudited)	(Unaudited)
	Notes	*HK$'000*	*HK$'000*
REVENUE	*3*	464,605	312,317
Cost of sales		(403,320)	(271,668)
Gross profit		61,285	40,649
Other income	*3*	4,242	4,831
Selling and distribution costs		(25,858)	(27,920)
Administrative expenses		(41,023)	(30,062)
Other operating income/(expenses), net		7,895	(1,688)
Finance costs	*4*	(2,450)	(1,216)
PROFIT/(LOSS) BEFORE INCOME TAX	*5*	4,091	(15,406)
Income tax	*6*	(18,365)	(11,369)
LOSS FOR THE PERIOD		(14,274)	(26,775)
Attributable to:			
Equity holders of the Company		(14,147)	(26,775)
Minority interests		(127)	–
		(14,274)	(26,775)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	*8*	HK(0.91) cent	HK(1.73) cents
Diluted		N/A	N/A

Certain comparative amounts have been reclassified to conform with the current period's presentation.

CONDENSED CONSOLIDATED BALANCE SHEET
30 June 2006

	30 June 2006 (Unaudited) *HK$'000*	31 December 2005 (Audited) *HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	205,184	213,587
Investment properties	70,054	66,689
Prepaid land lease payments	46,748	48,029
Properties under development	661,849	291,046
Prepayments and deposits	84,643	48,128
Deferred tax assets	1,031	1,021
Total non-current assets	1,069,509	668,500
CURRENT ASSETS		
Properties for sale	103,732	70,330
Properties under development	19,742	194,133
Inventories	116,232	105,922
Trade and bills receivables	22,377	25,288
Prepaid land lease payments	3,654	3,619
Prepayments, deposits and other receivables	57,138	37,212
Securities measured at fair value through profit or loss	35,555	44,210
Due from minority equity holders	832	7,480
Due from related companies	43,825	–
Pledged deposits	11,289	18,653
Cash and cash equivalents	163,031	370,909
Total current assets	577,407	877,756
CURRENT LIABILITIES		
Trade payables	117,766	108,760
Deposits received from customers	156,655	255,163
Other payables and accruals	118,892	98,135
Tax payable	24,262	12,007
Interest-bearing bank and other borrowings	520,679	96,154
Due to related companies	–	134
Total current liabilities	938,254	570,353
NET CURRENT (LIABILITIES)/ASSETS	(360,847)	307,403
TOTAL ASSETS LESS CURRENT LIABILITIES	708,662	975,903
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	–	317,308
Deferred tax liabilities	1,274	794
Deferred income	179,634	177,906
Total non-current liabilities	180,908	496,008
Net assets	527,754	479,895
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	179,203	154,483
Reserves	315,761	304,535
	494,964	459,018
Minority interests	32,790	20,877
Total equity	527,754	479,895

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and appendix 16 of Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2005.

Going Concern

The financial statements have been prepared on a going concern basis though the Group had net current liabilities of HK$360,847,000 (2005: net current assets of HK$307,403,000) as at 30 June 2006. The Group has taken and will continue the following measures to ensure the Group will have adequate cash flows for the operations of the Group:

(i) to impose tight cost controls;

(ii) to raise funds as and when necessary; and

(iii) to obtain necessary funding from bankers.

The directors are of the opinion that, in view of the measures taken to date, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements.

In addition, the directors do not foresee any circumstances that the banks will not continue their bank loan facilities for the Group. Accordingly, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the next twelve months from 30 June 2006 without a significant curtailment of operations and are satisfied that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments relating to the carrying amounts and reclassifications of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2. SEGMENT INFORMATION

The Group's 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;

(d) manufacture and distribution of enamelled copper wires;

(e) property investment; and

(f) corporate and others, 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.

(a) Business segments

The following table presents revenue and profit/(loss) for the Group's business segments.

	Property development For the six months ended 30 June		Watches and timepieces For the six months ended 30 June		Timber products For the six months ended 30 June		Enamelled copper wires For the six months ended 30 June		Property investment For the six months ended 30 June		Corporate and others For the six months ended 30 June		Consolidated For the six months ended 30 June	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	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	262,559	158,487	56,537	56,006	65,080	95,438	75,982	–	4,447	1,939	–	447	464,605	312,317
Other income	778	1,519	1,268	197	738	2,114	213	–	6	–	1,239	1,001	4,242	4,831
Total	263,337	160,006	57,805	56,203	65,818	97,552	76,195	–	4,453	1,939	1,239	1,448	468,847	317,148
Segment results	27,889	15,197	7,821	5,005	(26,843)	(19,682)	1,913	–	3,462	97	(7,701)	(14,807)	6,541	(14,190)
Finance costs													(2,450)	(1,216)
Profit/(loss) before income tax													4,091	(15,406)
Income tax													(18,365)	(11,369)
Loss for the period													(14,274)	(26,775)

(b) Geographical segments

The following table presents revenue regarding the Group's geographical segments.

	Hong Kong For the six months ended 30 June		Mainland China For the six months ended 30 June		Consolidated For the six months ended 30 June	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Sales to external customers	20,302	23,658	444,303	288,659	464,605	312,317

3. 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 sales of properties under development and rental income received and receivable.

An analysis of revenue and other income is as follows:

	For the six months ended 30 June	
	2006	**2005**
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Turnover		
Sale of goods	197,599	150,670
Sale of properties under development	262,559	158,487
Gross rental income	4,447	3,160
	464,605	312,317
Other income		
Interest income	1,572	2,052
PRC value-added tax refund	–	864
Dividend income from listed investments	20	170
Others	2,650	1,745
	4,242	4,831
	468,847	317,148

Certain comparative amounts have been reclassified to conform with the current period's presentation.

4. FINANCE COSTS

	For the six months ended 30 June 2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*
Interests on bank and other loans wholly repayable within five years	2,450	1,216

5. PROFIT/(LOSS) BEFORE INCOME TAX

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

	For the six months ended 30 June 2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*
Depreciation	11,774	10,065
Amortisation of prepaid land lease payments	1,810	1,380
Gain/(Loss) on disposal of fixed assets	(11)	(1,563)
Provision for inventories	258	7,534
Changes in fair value of investment properties	3,069	–

6. INCOME TAX

Provision for Hong Kong profits tax has been made on the estimated assessable profits generated by the Group in Hong Kong during the period at the rate of 17.5% (2005: Nil). 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.

	For the six months ended 30 June 2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*
Current – Hong Kong profit tax	182	–
Current – PRC corporate income tax	15,840	11,369
Underprovision of income tax in the prior period	1,875	–
Deferred tax charge	468	–
	18,365	11,369

7. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006 (2005: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share is based on the unaudited net loss attributable to the equity holders of the Company for the period of HK$14,147,000 (2005: HK$26,775,000), and the weighted average number of ordinary shares of 1,548,928,000 (2005: 1,544,831,000) in issue during the period.

Diluted loss per share amounts have not been disclosed as no diluting events existed during the period.

9. CONTINGENT LIABILITIES

During the period, 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$318 million in aggregate. As at the balance sheet date, mortgage loans in aggregate of approximately HK$252 million were utilised by the buyers of the Group's properties under development.

A bank has provided factoring facilities of RMB60 million (equivalent to approximately HK$58 million) for the period from 31 May 2006 to 31 May 2007 to the jointly controlled entity. As at 30 June 2006, the outstanding balance of the factoring facilities was RMB29.9 million equivalent to approximately HK$29 million. In the event, the debtors fail to pay the bank, Fuzhou Dartong will have to repay RMB29,850,000 to the bank.

10. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group also had the following material transactions with related parties during the year:

		For the six months ended 30 June	
		2006	2005
	Notes	*HK$'000*	*HK$'000*
Commission fees paid	*(i)*	–	3,295
Sales to the Joint Venturer	*(ii)*	75,982	–
Purchases from the joint venturer	*(iii)*	399	–
Rental expenses paid to minority equity holders	*(iv)*	462	–
Rental income received	*(v)*	457	447
Rental income from leasing of investment properties	*(vi)*	1,321	–

Notes:

(i) The commission fees for the last period were paid to a real estate agent, in which a director of the Company had an equity interest, for services provided in respect of the sale of the Group's properties under developments. The directors considered that the commission rate was comparable to commission rate charged by other real estate agents.

(ii) Sales to the joint venturer (the "Joint Venturer") of the Group's jointly-controlled entity, in which a director of the Company is also a director, were made at the selling prices the Joint Venturer charged its customers.

(iii) Purchases from the Joint Venturer of the Group's jointly-controlled entity, in which a director of the Company is also a director, were made at the prevailing market price.

(iv) The rentals were charged at HK$76,923 for the period. The directors considered that the rental charged was comparable to the rentals of similar properties.

(v) The rentals from companies in which a director of the Company is also directors were charged at HK$76,000 per month on average during the period. The directors considered the rental charge was comparable to market rates.

(vi) The directors consider that the monthly rentals were charged by the Group with reference to the prevailing market prices. During the period, the Group received rental income of HK$1,321,000 from the Joint Venturer for leasing of investment properties held by the Group.

(b) Other transactions with related parties:

(i) During the period, the jointly-controlled entity of the Group leased its factory premises and the piece of land where the factory premises was erected from the Joint Venturer free of charge.

(ii) On 25 January 2006, a subsidiary of the Company executed a guarantee for a term of two years commencing from 25 January 2006 in favour of the Joint Venturer for a loan of approximately of RMB18 million (HK$17.5 million) granted to the Joint Venturer by a bank. Such loan was not utilised by the Joint Venturer as at 31 December 2005 and has been fully drawn down by the Joint Venturer as at 30 June 2006.

(c) Outstanding balances with related parties:

(i) As disclosed in the consolidated balance sheet, the Group had outstanding advances receivable from a company, in which a director of the Company had equity interests of HK$43,825,000, as at 30 June 2006 (31 December 2005 payable of HK$134,000). The advances are unsecured, interest free and have no fixed terms of repayment.

(ii) As disclosed in the consolidated balance sheet, the Group had outstanding receivables from the minority equity holders of a subsidiary of HK$832,000 as at the balance sheet date (31 December 2005: HK$7,480,000). The advances are unsecured, interest-free and settled subsequently to the balance sheet date.

(d) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2006	**2005**
	HK$'000	*HK$'000*
Short term employee benefits	3,973	4,176
Post-employment benefits	42	50
Total compensation paid to key management personnel	4,015	4,226

11. POST BALANCE SHEET EVENT

The Group has the following significant post balance sheet event:

Starlex Company Limited ("Starlex"), a wholly-owned subsidiary of the Company, and Citychamp Dartong Company Limited ("Citycamp Dartong"), a company listed on the Stock Exchange in Shanghai, entered into an asset transaction agreement on 19 July 2006 and an additional transaction agreement on 3 August 2006. Pursuant to the agreements:

(a) Starlex has conditionally agreed to dispose of, and Citychamp has conditionally agreed to acquire, the entire issued share capital of Beijing Jing Guan Property Company Limited at a consideration of RMB360 million (equivalent to approximately HK$350 million); and

(b) Citychamp has conditionally agreed to allot and issue 73 million shares of Citychamp to Starlex at an issue price of RMB4.95 (equivalent to approximately HK$4.80) within 60 business days upon completion of the agreement; Citychamp has also conditionally agreed to pay the balance of RMB36,000 (equivalent to approximately HK$34,951) within 20 business days upon completion of the agreement.

INTERIM DIVIDEND

The Board has resolved not to distribute an interim dividend for the six months ended 30 June 2006 (2005: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

For the six months ended 30 June 2006, the Group recorded an unaudited consolidated turnover of approximately HK$465,605,000 (2005: HK$314,369,000), representing an increase of HK$151,236,000 compared with the corresponding period last year. Loss for the period was approximately HK$14,274,000, representing an improvement of HK$12,501,000 from a loss of HK$26,775,000 for the corresponding period last year.

Business Review

(1) Property development business

During the first six months of 2006, Beijing Jing Guan Property Development Co. Ltd. ("Jing Guan"), a wholly-owned subsidiary of the Group, continued to achieve satisfactory operating results. In light of a series of austerity measures on the property industry introduced by the PRC government, Jing Guan accelerated the completion of the remaining projects and re-scheduled the new property projects. At the same time, aggressive efforts were also made to further regulate its management, scale up the development of its property project, the Sunpalace Garden, promote the sales of property units and to speed up the works on its Guangqumen redevelopment project in Beijing.

As at 30 June 2006, blocks no. 1, 2, 3, 5, 6 and 7 of the Sunpalace Garden were completed and delivered for occupancy. All units of block no. 9 (office) have been sold out. The block is still under construction whereas structural construction has been completed up to the fifth floor.

The Guangqumen redevelopment project has a total site area of 11.62 hectares, a construction area of 8.66 hectares and a gross floor area of 545,400 sq. m.. A total of 2,680 households have to be relocated for the project, of which 98% has been settled. It is expected that the relocation will be completed by the end of August 2006. Pre-construction preparations are in progress.

(2) *Watches and timepieces business*
Receipt from sales for EBOHR Luxuries International Company Limited ("EBOHR Luxuries"), a wholly-owned subsidiary of the Group, for the first six months of 2006 was in line with the corresponding period last year. However, profit margin has improved as a result of a general increase in retail prices due to higher brand value of its products. In particular, EBOHR Luxuries raised the prices and margins of its best selling items pursuant to its product diversification policy. On the other hand, costs of products were reduced due to successful negotiation with suppliers as well as bulk purchase discount. Hence, EBOHR Luxuries managed to record an increase in profit while the sales remained at the same level. Net profit of EBOHR Luxuries for the period under review increased approximately 17% over the corresponding period last year.

(3) *Timber business*
For the first six months of 2006, market conditions of the timber business remained difficult. Impacted by the PRC government's austerity measures, environmental requirements of the Shenzhen government, crude oil and raw material price hikes in the international markets and intensive competition, Seti Timber Industry (Shenzhen) Company Limited ("Seti-Timber"), a wholly-owned subsidiary of the Group, recorded an operating loss during the period under review.

(4) *Enamelled copper wires business*
Fuzhou Dartong M&E Co., Ltd. ("Fuzhou Dartong"), a 49% owned joint venture of the Company, has commenced production of enamelled copper wires used in colour television panels, colour picture tubes, transducers and air conditioning compressors in September 2005.

The operating environment of Fuzhou Dartong deteriorated during the first half of 2006. The prices of its principal raw materials, especially those of copper, remained high. Fuzhou Dartong also faced keen competition from its peers in the industry.

To tackle the unfavourable business environment and competition, Fuzhou Dartong adopted the following measures:

(1) Strengthened marketing efforts and risk management, and improved operating efficiency.

(2) Tighten quality control, improved technology and reduced costs.

(3) Better control the delivery time and improved the turnover of stocks by streamlining its logistic process.

(5) *Property investment*
The industrial complex in Dongguang, Guangdong Province, the PRC; the property on the 2nd Lower Ground Floor, Jin Hua Building, Yan He South Road, Luohu District, Shenzhen, Guangdong Province, the PRC; and the office floor and three shop units on Xiang Hua Road, Zhuhai, Guangdong Province, the PRC owned by the Group have all been used for leasing purposes, and continued to generate stable rental income to the Group for the period under review.

Financial position

(1) Liquidity, financial resources and capital structure

As at 30 June 2006, the Group had non-pledged cash and bank balances of approximately HK$163,031,000. Based on the bank loans and other borrowings of HK$520,679,000 and shareholders' equity of HK$527,754,000, the Group's gearing ratio (being loans divided by shareholders' equity) was 99.0%.

The Group's bank loans were all denominated in Renminbi. As at 30 June 2006, the Group's bank loans and other borrowings amounting to HK$520,679,000.

(2) Charge on Assets

(1) Bank loans of HK$388,350,000 were granted to Jing Guan, which was secured by the land use rights of the East Part of E Area, Taiyanggong New District, Chaoyang District, Beijing, the PRC.

(2) Bank loans of HK$26,214,000 and other banking facilities of Seti Timber were secured by land and buildings in Nanshan District, Shenzhen, the PRC, owned by the Group with a net book value amounting to approximately HK$11,083,000 as at 30 June 2006.

(3) Capital commitments

As at 30 June 2006, the Group had capital commitments of approximately HK$1,472,396,000 mainly related to the construction costs payable in respect of the Group's property development projects in Beijing, the proposed acquisition of 21% equity interests in Beijing Haidian, and the purchase of an investment property. 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 period, 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$318 million in aggregate. As at the balance sheet date, mortgage loans in aggregate of approximately HK$252 million were utilised by the buyers of the Group's properties under development.

A bank has provided factoring facilities of RMB60 million equivalent to approximately HK$58 million for the period from 31 May 2006 to 31 May 2007 to the jointly controlled entity. As at 30 June 2006, the outstanding balance of the factoring facilities was RMB29.9 million equivalent to approximately HK$29 million. In the event, the debtors fail to pay the bank, Fuzhou Dartong will have to repay RMB29,850,000 to the bank.

Placing of new shares

On 28 June 2006, the Company has successfully placed 247,200,000 new shares at HK$0.2 per share and raised in aggregate HK$49,440,000. The directors believe that considering the condition of the market at that time, the placement offered a great opportunity for the Group to raise capital and strengthen its financial position. The net proceeds of the placement have been or would be used for the following purposes:

(i) approximately HK$14.4 million have been invested as the Company's outstanding capital contribution in Jiangsu Dartong Qingjian M&E Co. Ltd. as disclosed in the Company's announcement and circular dated 10 April 2006 and 2 May 2006 respectively;

(ii) approximately HK$28.8 million will be used to relocate the factory of Seti Timber in Shenzhen, PRC; and

(iii) the remaining balance of approximately HK$5.2 million will be retained as general working capital.

Very Substantial Disposal – Proposed Asset Transaction

As stated in the announcement of the Company dated 3 August 2006, Starlex Limited ("Starlex"), a wholly-owned subsidiary of the Company, and Citychamp Dartong Company Limited ("Citychamp Dartong") entered into the Revised Asset Transaction Agreement, which supersedes the Asset Transaction Agreement entered into by the parties on 19 July 2006 in its entirety. Details of the Asset Transaction Agreement are set out in the announcement of the Company dated 19 July 2006.

According to the Revised Asset Transaction Agreement, Starlex has conditionally agreed to dispose of, and Citychamp Dartong has conditionally agreed to acquire, the entire issued share capital of Jing Guan, a wholly-owned subsidiary of Starlex at a consideration of RMB360,000,000 (equivalent to approximately HK$346,200,000); and Citychamp Dartong has conditionally agreed to allot and issue 72,720,000 Consideration Shares and pay RMB36,000 (equivalent to approximately HK$34,615) to Starlex as the consideration. The issue price of the Consideration Share was RMB4.95 (equivalent to approximately HK$4.76) per Consideration Share.

PROSPECT

According to the National Bureau of Statistics of China, following a 10.3% growth in the first quarter of 2006, the PRC recorded a strong surge of 11.3% in the second quarter. Domestic and foreign trade achieved double-digit growth. Fixed assets investment grew by 30% while retail sales and exports increased 13.3% and 24% respectively. Substantial growth and inflation pressure may result in further increases in interest rates. On the other hand, more austerity measures may be introduced to cool down investments, tighten credit facilities and curb speculative activities in the real estate industry. It is expected that the general economy will slacken in the second half of 2006. While the economy grew by 9.9% in 2005, a 10% growth is expected for the year 2006.

As the demand for Beijing properties is not only limited from within the Beijing City, coupled with the boost from favourable factors such as the 2008 Olympic Games, the market demand continued to grow. As such, it is believed that the Beijing property market will maintain steady growth in the rest of the year 2006.

In the second half of 2006, Jing Guan will focus on the following two operations: (i) completing the construction and delivery of block 9 of Sunpalace Garden and leasing and selling most of the shops and carpark spaces; and (ii) accelerating the development of the Guangqumen redevelopment project to ensure the prompt completion of the planning, demolition and relocation work and to well pace the progress of the project to gain sales revenue from such project.

For the watches and timepieces business, EBOHR Luxuries will implement various measures in the second half of 2006 to boost sales, which mainly include the following:

(1) Organising a series of promotion activities;

(2) Launching new products for retailing and wholesaling to improve the market competitiveness of EBOHR watches;

(3) Strengthening its frontline sales teams for better retail sales management and brand image; and

(4) Increasing the scale of television marketing, internet shopping and mail orders.

In addition, EBOHR Luxuries will devote to carry out various measures to develop the market and expand the sales network and the agent and distribution business for its "FILA" watches. In addition, EBOHR Luxuries has introduced the PLM synergetic design platform and technology management system, which is expected to be implemented by the end of 2006. The system will greatly strengthen the design and research and development capabilities of EBOHR watches so as to lead the industry.

On 6 April 2006, the Company entered into a joint venture agreement with Citychamp Dartong 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 Qingjian Co., Ltd.) ("Jiangsu Dartong"). Jiangsu Dartong is still actively engaged in the production and sales of electrical wires and cables, general machineries, mechanical and electrical appliances, and mechanical equipments, including the sales and marketing of special enamelled copper wires products in the PRC. The Group believes that the establishment of Jiangsu Dartong forms a solid foundation for the implementation of its long term diversification strategy and the enhancement of its competitiveness.

For Fuzhou Dartong, it intends to adopt the following measures in the second half of 2006 to support the future development of its production of enameled copper wires business.

1. Improving human resources management to raise the morale of staff;

2. Incentives for staff to increase sales amount; and

3. Streamlining of the organisational structure to facilitate efficient performance appraisal.

In the second half of 2006, the Group will focus in the existing property development business through its shareholding in the Citychamp Group and its directly-held interest of the watches and timepieces production business. For the timber business, the priority is to adjust the production mix and product price, select the production base and deploy human resources. In addition, the Group will capitalise business opportunities arising from enormous demand for enamelled copper wires in the PRC and continue to identify other potential opportunities, so as to diversify the Group's businesses, expand the Group's revenue source, and generate satisfactory returns for the shareholders.

In addition, the management believes that the completion of the above-mentioned Asset Transaction between Starlex and Citychamp Dartong is important for and beneficial to the future business development of the Group, especially in the property development and investment business. The main reason is that with the fast economic growth in the PRC and the PRC's accession to the World Trade Organisation, the outlook of the property market in the PRC is considered to be promising. As mentioned in the Company's annual report for the year ended 31 December 2005, the main direction for the development of the Group in the next two to three years is to seek for mainland property development opportunities. The Citychamp Group has a proven track record and management expertise in property development in the PRC. Upon the said completion, the Group will have an indirect investment in high quality property projects in the PRC through its shareholding interest in the Citychamp Group without the financial requirement to provide funding for their development.

Given the promising prospect of the property development business in the PRC, the management considers that the investment in the Citychamp Group will enable the Group to capture and participate in the growth of this business without substantial funding requirements. Therefore, the Asset Transaction represents an attractive investment opportunity for the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2006, the Group had approximately 1,510 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.

FOREIGN EXCHANGE RISK

Majority of the Group's sales, purchases are denominated in RMB. Since the Group's bank borrowings are also denominated in RMB and the Group has retained surplus funds in the currency, such foreign exchange exposure is immaterial and could be effectively monitored.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with all the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30 June 2006, except with the details disclosed below:–

Code E.1.2

Code E.1.2 stipulates that the chairman of the board of directors should attend the annual general meeting of the Company. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 25 May 2006 because of a business trip outside Hong Kong.

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 the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2006.

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 on Corporate Governance Practices. 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 of the Company. 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 unaudited interim financial statements for the six months ended 30 June 2006.

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 INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 46(1) to 46(6) 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

On behalf of the Board, I would like to take this opportunity to express my gratitude to the management and all colleagues for their dedications and contributions. The Group will continue to endeavour to strengthen its existing business while actively explore new businesses with potentials so as to generate satisfactory returns for our shareholders and investors.

By order of the Board
Hon Kwok Lung
Chairman

Hong Kong, 25 August 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.