



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 2008

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 referred to as the “Group”) for the six months ended 30 June 2008 together with comparative figures for the corresponding period in 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Six months ended 30 June	
		2008	2007
		(Unaudited)	(Restated)
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Continuing operations:			
Revenue	5	426,596	264,512
Cost of sales		(350,500)	(204,047)
Gross profit		76,096	60,465
Other income	6	1,479	38
Selling and distribution expenses		(26,993)	(24,003)
Administrative expenses		(43,713)	(26,355)
(Loss)/Gain on fair value changes in financial assets at fair value through profit or loss, net		(24,815)	15,687
Net surplus on revaluation of an investment property		–	22,853
Dividend income from available-for-sale financial assets	15	73,624	–
Other operating income, net		8,548	3,410

	<i>Notes</i>	Six months ended 30 June	
		2008	2007
		(Unaudited)	(Restated)
		HK\$'000	(Unaudited)
			HK\$'000
Operating profit		64,226	52,095
Financial income	6	983	853
Finance costs	7	(3,380)	(4,097)
Share of results of an associate		1,655	830
		<hr/>	<hr/>
Profit before income tax	8	63,484	49,681
Income tax expense	9	(4,866)	(3,140)
		<hr/>	<hr/>
Profit after income tax from continuing operations		58,618	46,541
Discontinued operations:			
(Loss)/Profit for the period from discontinued operations	12.1	(12,749)	345,770
		<hr/>	<hr/>
Profit for the period		45,869	392,311
		<hr/>	<hr/>
Attributable to:			
Equity holders of the Company		45,869	392,571
Minority interest		–	(260)
		<hr/>	<hr/>
Profit for the period		45,869	392,311
		<hr/>	<hr/>
Earnings per share from continuing operations			
attributable to equity holders of the Company			
Basic	11	HK cents 3.27	HK cents 2.60
		<hr/>	<hr/>
Diluted		N/A	N/A
		<hr/>	<hr/>
(Loss)/Earnings per share from discontinued operations			
attributable to equity holders of the Company			
Basic	11	HK cents (0.71)	HK cents 19.31
		<hr/>	<hr/>
Diluted		N/A	N/A
		<hr/>	<hr/>

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008

		30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		135,825	125,394
Investment properties		60,258	60,258
Prepaid land lease payments		10,808	10,227
Interests in an associate		35,843	31,484
Available-for-sale financial assets	15	552,984	853,380
Prepayments and deposits		2,536	2,394
Deferred tax assets		1,207	1,130
		<hr/> 799,461	<hr/> 1,084,267
Current assets			
Inventories		152,289	142,026
Trade and bills receivables	13	81,729	44,052
Prepaid land lease payments		225	210
Prepayments, deposits and other receivables		58,425	87,277
Financial assets at fair value through profit or loss		55,192	44,178
Cash and cash equivalents		31,919	82,362
		<hr/> 379,779	<hr/> 400,105
Non-current assets held for sale	12.3	211,085	200,989
		<hr/> 590,864	<hr/> 601,094
Current liabilities			
Trade payables	14	68,105	33,497
Other payables and accruals		72,773	95,767
Tax payables		13,195	13,188
Derivative financial instruments		14	5,017
Borrowings		114,270	112,815
Due to a related company		204,545	209,311
		<hr/> 472,902	<hr/> 469,595
Net current assets		<hr/> 117,962	<hr/> 131,499
Total assets less current liabilities		<hr/> 917,423	<hr/> 1,215,766

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Non-current liabilities		
Borrowings	<u>24,500</u>	<u>–</u>
Net assets	<u>892,923</u>	<u>1,215,766</u>
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	179,203	179,203
Reserves	<u>711,165</u>	<u>1,034,171</u>
	890,368	1,213,374
Minority interests	<u>2,555</u>	<u>2,392</u>
Total equity	<u>892,923</u>	<u>1,215,766</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

As disclosed in note 1 and 11 to the financial statements of the Company for the year ended 31 December 2007 (the “2007 Annual Financial Statements”), Seti Timber Industry (Shenzhen) Co. Ltd. (“Seti”), a wholly-owned subsidiary of the Company, entered into a land resumption agreement with the Shenzhen Municipal Government (the “Land Resumption Agreement”), under which in 2008, the Shenzhen Municipal Government would resume a piece of the land in Shenzhen that was leased to Seti (the “PRC Land”) and Seti ceased its production operation.

Seti was incorporated in the People’s Republic of China (the “PRC”) and was principally engaged in manufacture and distribution of timber products in Shenzhen in the PRC. In this regard, Seti has significantly scaled down its operations in manufacture and distribution of timber products (the “2007 Discontinued Timber Business”) as at 31 December 2007. Please refer to the 2007 Annual Financial Statements for details. The Company and its subsidiaries are referred to as the Group hereinafter.

As at 30 June 2008, the title of the PRC Land has not yet been passed, Seti is still occupying the PRC Land although the timber operations have been significantly scaled down. As the 2007 Discontinued Timber Business carried out by Seti represented components of the Group’s business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represented the separate major lines of businesses, the Group presented, in its unaudited condensed consolidated interim financial statements for the six months ended 30 June 2008 (the “Interim Financial Statements”), the operations of the 2007 Discontinued Timber Business as discontinued operations in accordance with Hong Kong Financial Reporting Standard (“HKFRS”) 5 – Discontinued Operations. The Company and other subsidiaries not engaged in the 2007 Discontinued Timber Business are referred to as the “Remaining Group”.

For the six months ended 30 June 2007, a shareholders' resolution was passed to dispose of the entire paid-up capital of two subsidiaries, namely Beijing Jing Guan Property Development Company Limited ("Jing Guan") and Beijing Xin Yang Property Development Company Limited ("Xin Yang") (which is 80% owned by Jing Guan). Jing Guan and Xin Yang were both incorporated in the PRC and are principally engaged in the property development (the "2006 Discontinued Property Development Business"). The disposals of the 2006 Discontinued Property Development Business carried out by Jing Guan and Xin Yang were completed on 22 May 2007.

The Interim Financial Statements are presented in Hong Kong Dollars ("HK\$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK\$'000") unless otherwise stated.

2. BASIS OF PREPARATION

The Interim Financial Statements of the Group have been prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2.1 Going concern

The Interim Financial Statements have been prepared on a going concern basis notwithstanding the Remaining Group had net current liabilities (after excluding the non-current assets held for sale) of HK\$93,123,000 as at 30 June 2008 (31 December 2007: HK\$69,490,000). 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;
- (iii) to obtain extension of repayment of existing borrowings; and
- (iv) 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 financial requirements.

In addition, a related company has agreed not to demand repayment of the amount of HK\$204,545,000 due to it from the Group until such time when repayment will not affect the Remaining Group's ability to repay other creditors and the directors do not foresee any circumstances that the banks will not continue the 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 and when they fall due for the next twelve months from 30 June 2008 without significant curtailment of operations and are satisfied that it is appropriate to prepare the Interim Financial Statements on a going concern basis. The Interim Financial Statements do not include any adjustments relating to the carrying amounts and reclassifications of assets and liabilities that might be necessary should the Remaining Group be unable to continue as a going concern.

3. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared on the historical costs basis except investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss which are measured at fair values.

The accounting policies used in the Interim Financial Statements are consistent with those of the Annual Financial Statements of the Group for the year ended 31 December 2007 except as described below.

In the current interim period, the Group has applied, the following new standards, amendments and interpretations (collectively referred to as “new HKFRSs”) issued by the HKICPA, which are effective for current accounting period.

HK(IFRIC)-Int 11	HKFRS 2 “Group and Treasury Share Transactions”
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group’s interim financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 1 (Revised) (Amendments)	Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 32 (Amendments)	Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 2 (Amendments)	Members’ Shares in Co-operative Entities and Similar Instruments ¹
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

4. 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) manufacture and distribution of watches and timepieces;
- (b) manufacture and distribution of enamelled copper wires (carried out by the Group’s jointly controlled entity);
- (c) property investment; and
- (d) manufacture and distribution of timber products carried out by the 2007 Discontinued Timber Business which has been classified as discontinued operations for the period (note 12).

Inter-segment sales are charged at prevailing market prices.

(a) **Primary reporting format – business segments**

For the six months ended 30 June 2008

	Continuing operations				Discontinued operations
	Watches and timepieces (Unaudited) HK\$'000	Enamelled copper wires (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	2007 Discontinued Timber Business (Unaudited) HK\$'000
Segment revenue and gains:					
Sales to external customers	91,047	333,265	2,284	426,596	20,325
Other income and financial income	187	1,400	1	1,588	1,662
Total	<u>91,234</u>	<u>334,665</u>	<u>2,285</u>	<u>428,184</u>	<u>21,987</u>
Segment results	<u>25,277</u>	<u>10,644</u>	<u>779</u>	<u>36,700</u>	<u>(11,757)</u>
Unallocated corporate income, net				28,509	–
Share of results of an associate				65,209	(11,757)
Finance costs				1,655	–
				<u>(3,380)</u>	<u>(992)</u>
Profit/(Loss) before income tax				63,484	(12,749)
Income tax expense				<u>(4,866)</u>	<u>–</u>
Profit/(Loss) for the period				<u>58,618</u>	<u>(12,749)</u>

For the six months ended 30 June 2007 (Restated)

	Continuing operations				Discontinued operations		
	Watches and timepieces (Unaudited) HK\$'000	Enamelled copper wires (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	2006 Discontinued Property Development Business (Unaudited) HK\$'000	2007 Discontinued Timber Business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue and gains:							
Sales to external customers	78,584	183,583	2,345	264,512	3,350	45,185	48,535
Other income and financial income	496	–	–	496	99	2,335	2,434
Total	<u>79,080</u>	<u>183,583</u>	<u>2,345</u>	<u>265,088</u>	<u>3,449</u>	<u>47,520</u>	<u>50,969</u>
Segment results	<u>21,577</u>	<u>5,289</u>	<u>23,386</u>	<u>50,252</u>	<u>(9,785)</u>	<u>(3,897)</u>	<u>(13,682)</u>
Unallocated corporate income, net				2,696			366,806
Share of results of an associate				52,948			353,124
Finance costs				830			–
				<u>(4,097)</u>			<u>(7,354)</u>
Profit before income tax				49,681			345,770
Income tax expense				<u>(3,140)</u>			<u>–</u>
Profit for the period				<u>46,541</u>			<u>345,770</u>

(b) **Secondary reporting format – geographical segments**

The Group's operations are located in two main geographical areas. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods and services.

Sales revenue by geographical markets:

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Restated)
	HK\$'000	(Unaudited)
		HK\$'000
Continuing operations:		
Hong Kong	1,607	988
PRC	424,989	263,524
	<u>426,596</u>	<u>264,512</u>
Discontinued operations:		
PRC	20,325	48,535
	<u>446,921</u>	<u>313,047</u>

5. **REVENUE**

Revenue on continuing operations, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and rental income received and receivable. Revenue recognised during the period is as follows:

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Restated)
	HK\$'000	(Unaudited)
		HK\$'000
Continuing operations		
Sale of goods	424,312	262,168
Gross rental income	2,284	2,344
	<u>426,596</u>	<u>264,512</u>

6. OTHER INCOME AND FINANCIAL INCOME

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Restated)
	<i>HK\$'000</i>	(Unaudited)
		<i>HK\$'000</i>
Continuing operations		
<i>Other income</i>		
Unrealised gain on derivative financial instruments	1,077	–
Others	402	38
	<u>1,479</u>	<u>38</u>
<i>Financial income</i>		
Interest income	121	704
Dividend income from financial assets at fair value through profit or loss	862	149
	<u>983</u>	<u>853</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Restated)
	<i>HK\$'000</i>	(Unaudited)
		<i>HK\$'000</i>
Continuing operations		
Interests on bank and other loans wholly repayable within five years	<u>3,380</u>	<u>4,097</u>

8. PROFIT BEFORE INCOME TAX

The Group's profit before income tax was arrived at after charging:

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Restated)
	<i>HK\$'000</i>	(Unaudited)
		<i>HK\$'000</i>
Continuing operations		
Depreciation	4,518	3,404
Amortisation of prepaid land lease payments	<u>114</u>	<u>–</u>

9. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (Six months ended 30 June 2007: Nil). The subsidiaries and jointly controlled entity established in the PRC are subject to income taxes ranging between 18% and 25% (Six months ended 30 June 2007: 15% and 33%).

Pursuant to relevant laws and regulations in the PRC, the jointly controlled entity enjoyed a 50% deduction in income tax rate for the six months ended 30 June 2008.

Income tax on overseas profit has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Continuing operations		
Current tax for the period – the PRC	4,866	3,140

10. INTERIM DIVIDEND

The board of directors did not recommend the payment of an interim dividend for the six months ended 30 June 2008 (Six months ended 30 June 2007: Nil).

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) from continuing and discontinued operations per share are based on the unaudited profit from continuing operations attributable to the equity holders of the Company for the period of HK\$58,618,000 (Six months ended 30 June 2007: HK\$46,541,000) and the loss from discontinued operations attributable to equity holders of the Company of HK\$12,749,000 (Six months ended 30 June 2007: profit of HK\$346,030,000) on the weighted average of 1,792,031,000 (Six months ended 30 June 2007: 1,792,031,000) ordinary shares in issue during the period.

Diluted earnings/(loss) per share for the periods ended 30 June 2008 and 2007 have not been disclosed as no dilutive events existed during these periods.

12. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE

12.1 The (loss)/profit for the periods from discontinued operations was analysed as follows:

	Six months ended 30 June 2008	2007 (Restated)
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss of the 2007 Discontinued Timber Business and 2006 Discontinued Property Development Business (<i>note 12.2</i>)	(12,749)	(21,036)
Gain on disposal of the 2006 Discontinued Property Development Business	–	366,806
	<u>(12,749)</u>	<u>345,770</u>

12.2 The unaudited results of discontinued operations for the periods were as follows:

	Six months ended 30 June 2008 (Unaudited)	Six months ended 30 June 2007 (Restated) (Unaudited)		
	2007 Discontinued Timber Business HK\$'000	2007 Discontinued Timber Business HK\$'000	2006 Discontinued Property Development Business HK\$'000	Total HK\$'000
Revenue	20,325	45,185	3,350	48,535
Cost of sales	(22,718)	(41,293)	(9,551)	(50,844)
Gross (loss)/profit	(2,393)	3,892	(6,201)	(2,309)
Other income	1,650	2,327	22	2,349
Selling and distribution expenses	(145)	(1,382)	(508)	(1,890)
Administrative expenses	(10,817)	(9,481)	(2,899)	(12,380)
Other operating (expenses)/income, net	(64)	739	(276)	463
Operating loss	(11,769)	(3,905)	(9,862)	(13,767)
Financial income	12	8	77	85
Finance costs – interest on bank and other loans wholly repayable within five years	(992)	(7,354)	–	(7,354)
Loss for the period	<u>(12,749)</u>	<u>(11,251)</u>	<u>(9,785)</u>	<u>(21,036)</u>

12.3 An analysis of the non-current assets of the 2007 Discontinued Timber Business classified as held for sale as at 30 June 2008 is as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Non-current assets classified as held for sale:		
Property, plant and equipment	158,642	150,759
Prepaid land lease payments	52,443	50,230
	<u>211,085</u>	<u>200,989</u>

At 30 June 2008, certain buildings of the 2007 Discontinued Timber Business with carrying value of HK\$87,699,000 (31 December 2007: HK\$84,722,000), situated in the PRC had been pledged to secure certain banking facilities granted to the Group.

At 30 June 2008, certain prepaid land lease payments of the 2007 Discontinued Timber Business in the PRC with carrying value of HK\$44,832,000 (31 December 2007: HK\$43,885,000), have been pledged to secure certain banking facilities granted to the Group.

13. 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 normally required. The credit period is generally for a period of three months, for major customers except for customers of the Group's discontinued operations where settlements were 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.

Ageing analysis of trade and bills receivables (including amounts due from related parties of trading in nature) as at the balance sheet dates, based on invoice date, and net of provisions, is as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
1 to 3 months	77,924	41,914
4 to 6 months	3,737	2,138
7 to 12 months	68	–
	<u>81,729</u>	<u>44,052</u>

14. TRADE PAYABLES

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

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
1 to 3 months	55,745	19,135
4 to 6 months	11,778	14,350
7 to 12 months	569	–
Over one year	13	12
	<u>68,105</u>	<u>33,497</u>

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Listed equity investment in the PRC, at fair value	552,984	853,380
Unlisted equity investment in the PRC, at cost	4,193	3,477
Provision for impairment	<u>(4,193)</u>	<u>(3,477)</u>
	–	–
	<u>552,984</u>	<u>853,380</u>

As at 30 June 2008, the listed equity investment in the PRC represented 16.39% equity interest in Citychamp Dartong Company Ltd (“Citychamp”) which is listed in the Shanghai Stock Exchange in the PRC.

On 14 April 2008, Citychamp declared a bonus issue of 1.5 shares together with a cash dividend of RMB0.167 for every 10 Citychamp shares. In April 2008, 11,819,909 Citychamp bonus shares and cash dividends of RMB1,316,000 were received by the Group. A dividend income totalling HK\$73,624,000 was recognised in the income statement for the six months ended 30 June 2008 (Six months ended 30 June 2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Operating results

For the six months ended 30 June 2008, the Group recorded an unaudited revenue (continuing and discontinued operations) of approximately HK\$446,921,000 (for the six months ended 30 June 2007: HK\$313,047,000), representing an increase of HK\$133,874,000 compared with the corresponding period last year. Net Profit attributable to equity holders for the period was approximately HK\$45,869,000, representing a decrease of HK\$346,702,000 from a profit of HK\$392,571,000 for the corresponding period last year. Having set apart the financial impact of the discontinued operations for the six months ended 30 June 2007 of HK\$366,806,000, the Group should have had an increase of net profit of HK\$20,104,000 compared with the corresponding period last year.

Business review

(1) *Watches and timepieces business*

EBOHR Luxuries International Company Limited (“EBOHR”), a wholly-owned subsidiary of the Group, achieved satisfactory result in the first half of 2008. Revenue for the first half of 2008 was HK\$91,047,000, an increase of HK\$12,463,000, or 16%, from HK\$78,584,000 for the same period last year. Net profit after tax for the first half of 2008 was HK\$20,620,000 compared with HK\$18,438,000 for the same period in 2007, an increase of HK\$2,182,000, or 12%.

The gross margins in 2008 improved slightly because of increased prices and decreased costs. The retailed prices were increased due to greater brand awareness of EBOHR and higher disposal income of customers. Purchase on batch basis reduced the cost of materials.

EBOHR has put more efforts into development, production and sale of expensive metal luxurious watches in 2008. Revenue from such watches has been generated in the first half of 2008.

On 20 August 2008, the Company acquired 100% of the issued capital of Jia Cheng Investment Limited (“Jia Cheng”) for a consideration of HK\$525 million to be satisfied by the allotment and issue of 1,750 million shares of the Company at HK\$0.30 each. Jia Cheng owns 91% of Zhuhai Rossini Watch Industry Ltd. (“Rossini”). Rossini is engaged in manufacture and sale of watches mainly in the PRC. Having established an extensive network in the PRC, its brand is well recognized by customers and was awarded China Top Brand Products by the Central Administration of Quality Supervision, Inspection and Quarantine of the PRC.

(2) *Termination of timber plant in Shenzhen*

Seti Timber and the Shenzhen Municipal Government entered into an agreement on 3 December 2007, pursuant to which, the Shenzhen Municipal Government will (1) resume the land granted to Seti Timber, retain 50% of the land area and arrange for the remaining 50% of the land area to be sold at an auction; (2) compensate Seti Timber for the land resumption by paying Seti Timber 89.5% of the proceeds from the sale of 50% of the land area; (3) change the land use from industrial to residential and commercial for the portion of land to be auctioned. Based on the revised land use of the portion of land to be auctioned, an independent valuer estimated a value of RMB700 million.

Upon completion of the land resumption, Seti Timber will cease to own the land. The gain expected to accrue to Seti Timber is 89.5% of the proceeds from the sale of 50% of the land area minus the net asset value of the land and the relevant land restoration costs. As the auction is expected to be executed in the fourth quarter, the one-off gain from the land resumption will be fully reflected in the financial statements as at 31 December 2008.

(3) *Enamelled copper wires business*

Fuzhou Dartong M&E Co. Ltd. (“Fuzhou Dartong”), a 49% owned joint venture of the Group contributed revenue and net profit after tax of approximately HK\$333,265,000 and HK\$7,109,000 respectively in the first half of 2008. Revenue and net profit after tax increased in line with the expanded production capacity and the established reputation.

Jiangsu Dartong M&E Co. Ltd. (“Jiangsu Dartong”), a 25% owned associated company of the Group recorded contributions of approximately HK\$1,655,000 in the first half of 2008.

Both companies managed to improve their product quality and decrease the sale return rates. The flat enamelled copper wires were developed satisfactorily. Such wires are expected to generate higher gross margins. The Group has imposed increasingly strong internal control on the trading of derivatives related to copper.

(4) *Property investment*

The factory complex in Dongguan, the property on Yan He South Road, Luohu District, Shenzhen, three shop units on Xianghua Road, Zhuhai, in Guangdong Province of the PRC, and one apartment in Hong Kong owned by the Group have been leased out, with stable rental returns to the Group for the period under review.

(5) *Investment in Citychamp Dartong*

During the half year under review, the Group recorded dividend income of HK\$73,624,000 from Citychamp Dartong which consisted of the dividend income from 11,820,000 bonus shares of HK\$72,128,000 and a cash dividend of HK\$1,496,000.

As at 30 June 2008, the Group has evaluated the fair value of its holding of 78,799,000 shares and 11,820,000 bonus shares of Citychamp Dartong with reference to various parameters including, inter alia, historical price volatility, closing price on 30 June 2008 and the time prior to expiry of the lock-up period as on 22 May 2010.

On 29 August 2008, Citychamp Dartong announced its results under PRC GAAP for the period ended 30 June 2008. Earnings per share for the period was RMB0.19, an increase of 6% over the last period.

The annual dividends of Citychamp Dartong will provide a recurring source of profit contribution as well as funds for working capital.

Financial position

(1) Liquidity, financial resources and capital structure

As at 30 June 2008, the Group had non-pledged cash and bank balances of approximately HK\$31,919,000. Based on the bank loans of HK\$138,770,000 and shareholders' equity of HK\$890,368,000, the Group's gearing ratio (being loans divided by Shareholders' equity) was 16%.

The Group's bank loans were all denominated in Reminbi. As at 30 June 2008, the Group's bank loans amount to HK\$138,770,000.

(2) Charge on Assets

Bank loans of HK\$28,409,000 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\$132,531,000 as at 30 June 2008.

(3) Capital commitments

The Group had no capital commitment as at 30 June 2008.

(4) Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2008.

Prospects

Our Group extended its marketing efforts to Swiss as well as the US and other locations through participation in exhibitions organized by international market intermediaries. As part of our efforts to cooperate with overseas watch companies, our management visited leading cities in Switzerland and met with a number of watch companies in Switzerland in the first half of 2008. The Group has evaluated a number of watch companies, both overseas and local. It is the intention of the Group to grow by mergers and acquisitions of the overseas and local watch companies and to own a portfolio of watch companies with different products and markets.

The acquisition of Rossini on 20 August 2008 will not only generate increasing revenue and profit but also strengthen the leading position of the Group in the watches and timepieces industry. A portion of the funds to be received from the auction of land by Seti Timber will be applied for further mergers and acquisitions of watch companies while the remaining portion for other purposes.

2008 might be challenging for the Mainland. The Central Government's stated commitment to tighten monetary policy to curb overheating will have an impact on the consumption, investment and performance of the Mainland stock market. Nevertheless, the management remains optimistic of the economic growth of the Mainland and is confident of the long term steady growth of the watches and timepieces business, enamelled copper wires business and real estate development business of Citychamp Dartong.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2008, the Group had approximately 1,000 full-time staff in Hong Kong and the PRC. The remuneration packages offered to the employees were 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 and purchases are mainly 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.

INTERIM DIVIDEND

The Board has resolved not to distribute an interim dividend for the six months ended 30 June 2008 (Six months ended 30 June 2007: nil).

CODE OF 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 of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2008, 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 2008 due to his business trip outside Hong Kong.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 Company has ascertained that all of its directors have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2008.

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 and 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 2008.

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.irasia.com/listco/hk/chinahaidian in due course.

APPRECIATION

The Group's impressive performance in the past period was the result of the dedicated work by the management and its staff. The Directors would like to take this opportunity to express our sincere gratitude to our employees, customers, bankers, professional consultants and shareholders for their support.

By order of the Board
Hon Kwok Lung
Chairman

Hong Kong 25 September 2008

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.