



# 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 2007

#### 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 2007 together with comparative figures for the corresponding period in 2006.

#### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

		For the six months ended 30 June	
		2007	2006
		(Unaudited)	(Restated)
		HK\$'000	(Unaudited)
	Notes	HK\$'000	HK\$'000
<b>CONTINUING OPERATIONS:</b>			
Revenue	4	309,697	200,487
Cost of sales		(245,340)	(171,696)
Gross profit		64,357	28,791
Other revenue	5	2,365	2,549
Selling and distribution expenses		(25,385)	(22,927)
Administrative expenses		(35,836)	(37,453)
Gain on fair value changes in financial assets at fair value through profit or loss, net		15,687	5,519
Net surplus on revaluation of investment properties		22,853	394
Other operating income/(expenses), net		4,149	(695)
Operating profit/(loss)		48,190	(23,822)
Financial revenue	5	861	915
Finance costs	6	(11,451)	(2,450)
Share of result of an associate		830	—

		<b>For the six months ended 30 June</b>	
		<b>2007</b>	2006
		<b>(Unaudited)</b>	(Restated)
	<i>Notes</i>	<b>HK\$'000</b>	(Unaudited)
			<b>HK\$'000</b>
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>	7	<b>38,430</b>	(25,357)
Income tax expense	8	<b>(3,140)</b>	(3,258)
Profit/(Loss) after income tax from continuing operations		<b>35,290</b>	(28,615)
<b>DISCONTINUED OPERATIONS:</b>			
Profit for the period from discontinued operations	10	<b>357,021</b>	14,341
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>392,311</b>	(14,274)
Attributable to:			
Equity holders of the Company		<b>392,571</b>	(14,147)
Minority interests		<b>(260)</b>	(127)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>392,311</b>	(14,274)
<b>EARNINGS/(LOSS) PER SHARE FROM CONTINUING OPERATIONS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	9		
Basic		<b>HK1.97 cents</b>	HK(1.85) cents
Diluted		<b>N/A</b>	N/A
<b>EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	9		
Basic		<b>HK19.94 cents</b>	HK0.93 cent
Diluted		<b>N/A</b>	N/A

**CONDENSED CONSOLIDATED BALANCE SHEET***As at 30 June 2007*

	<i>Note</i>	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		210,376	200,684
Investment properties		192,934	159,748
Prepaid land lease payments		46,374	46,545
Interest in an associate		30,102	29,272
Available-for-sale financial assets	<i>11</i>	569,765	–
Prepayments and deposits		2,160	41,982
Deferred tax assets		1,095	1,062
		<hr/> <b>1,052,806</b>	<hr/> 479,293
<b>CURRENT ASSETS</b>			
Inventories		127,703	114,424
Trade and bills receivables		91,408	90,937
Prepaid land lease payments		3,880	3,764
Prepayments, deposits and other receivables		99,594	33,391
Financial assets at fair value through profit or loss		27,908	48,765
Pledged deposits		3,052	4,892
Cash and cash equivalents		53,791	39,836
		<hr/> <b>407,336</b>	<hr/> 336,009
Assets in disposal group classified as held for sale		–	1,262,408
		<hr/> <b>407,336</b>	<hr/> 1,598,417
<b>CURRENT LIABILITIES</b>			
Trade payables		51,336	46,683
Deposits received from customers		–	1,613
Other payables and accruals		83,826	58,623
Tax payable		30,872	9,597
Borrowings		106,563	116,353
Due to related companies		185,567	180,000
		<hr/> <b>458,164</b>	<hr/> 412,869
Liabilities in disposal group classified as held for sale		–	1,038,855
		<hr/> <b>458,164</b>	<hr/> 1,451,724
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<hr/> <b>(50,828)</b>	<hr/> 146,693
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>1,001,978</b>	<hr/> 625,986

	<i>Note</i>	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		<u>58,361</u>	<u>55,348</u>
<b>NET ASSETS</b>		<u><b>943,617</b></u>	<u><b>570,638</b></u>
<b>EQUITY</b>			
Equity attributable to equity holders of the Company			
Share capital		179,203	179,203
Reserves		762,096	348,715
Income and expense recognised directly in equity relating to disposal group		<u>–</u>	<u>10,017</u>
		<u><b>941,299</b></u>	<u><b>537,935</b></u>
Minority interests		<u>2,318</u>	<u>32,703</u>
Total equity		<u><b>943,617</b></u>	<u><b>570,638</b></u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2007 of the Company and its subsidiaries, (collectively referred to as the “Group”) have been prepared in accordance with the applicable 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 with Hong Kong Accounting Standard (the “HKAS”) 34 “Interim Financial Reporting” which is one of the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### Going concern

The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis though the Group had net current liabilities of HK\$50,828,000 as at 30 June 2007. 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, one of the related companies has taken to extend the repayment date of the amount of HK\$144,000,000 due to it from the Group to 18 December 2008 if the Group is not financially viable to make the repayment on or before 18 December 2007 and 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 and when they fall due for the next twelve months from 30 June 2007 without 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. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2006 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (collectively referred to as “new HKFRSs”) issued by the HKICPA, which are effective in the current period. 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 applied the following new standards, amendment, interpretations 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 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) - INT 11	HKFRS 2 – Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC) - INT 12	Service Concession Arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008

### **3. 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 timber products;
- (c) manufacture and distribution of enamelled copper wires;
- (d) property investment; and
- (e) corporate and others segment, comprising corporate income and expense items and other businesses.

The property development operation was disposed of during the period and has been classified as discontinued operations (Note 10).

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

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

*For the six months ended 30 June 2007*

	Continuing operations					Discontinued operations	
	Watches and timepieces (Unaudited) HK\$'000	Timber products (Unaudited) HK\$'000	Enamelled copper wires (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Property development (Unaudited) HK\$'000
Segment revenue and gains:							
Sales to external customers	78,584	45,185	183,583	2,345	–	309,697	3,350
Other revenue and financial revenue	496	2,333	–	–	397	3,226	99
Total	<u>79,080</u>	<u>47,518</u>	<u>183,583</u>	<u>2,345</u>	<u>397</u>	<u>312,923</u>	<u>3,449</u>
Segment results	<u>21,577</u>	<u>(3,897)</u>	<u>5,289</u>	<u>23,386</u>	<u>2,696</u>	<u>49,051</u>	<u>(9,785)</u>
Net gain on disposal of the discontinued operations						–	366,806
Share of results of an associate						830	–
Finance costs						(11,451)	–
Profit before income tax						38,430	357,021
Income tax expense						(3,140)	–
Profit for the period						<u>35,290</u>	<u>357,021</u>

For the six months ended 30 June 2006 (Restated)

	Continuing operations					Discontinued operations	
	Watches and timepieces	Timber products	Enamelled copper wires	Property investment	Corporate and others	Total	Property development
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue and gains:							
Sales to external customers	56,537	65,972	75,982	1,996	–	200,487	264,118
Other revenue and financial revenue	1,268	738	213	6	1,239	3,464	778
Total	<u>57,805</u>	<u>66,710</u>	<u>76,195</u>	<u>2,002</u>	<u>1,239</u>	<u>203,951</u>	<u>264,896</u>
Segment results	<u>7,821</u>	<u>(25,950)</u>	<u>1,913</u>	<u>1,010</u>	<u>(7,701)</u>	<u>(22,907)</u>	<u>29,448</u>
Finance costs						(2,450)	–
(Loss)/Profit before income tax						(25,357)	29,448
Income tax expense						(3,258)	(15,107)
(Loss)/Profit for the period						<u>(28,615)</u>	<u>14,341</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:

	Hong Kong		PRC		Consolidated	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Sales to external customers:						
Continuing operations	<b>2,596</b>	20,302	<b>307,101</b>	180,185	<b>309,697</b>	200,487
Discontinued operations	–	–	<b>3,350</b>	264,118	<b>3,350</b>	264,118
	<u><b>2,596</b></u>	<u>20,302</u>	<u><b>310,451</b></u>	<u>444,303</u>	<u><b>313,047</b></u>	<u>464,605</u>



#### 4. 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:

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Restated)
	HK\$'000	(Unaudited)
		HK\$'000
Revenue on continuing operations:		
Sale of goods	304,475	197,598
Gross rental income	5,222	2,889
	<u>309,697</u>	<u>200,487</u>

#### 5. OTHER REVENUE AND FINANCIAL REVENUE

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Restated)
	HK\$'000	(Unaudited)
		HK\$'000
Other revenue on continuing operations:		
PRC value-added tax refund	1,508	–
Others	857	2,549
	<u>2,365</u>	<u>2,549</u>
Financial revenue on continuing operations:		
Interest income	712	895
Dividend income from financial assets at fair value through profit or loss	149	20
	<u>861</u>	<u>915</u>
	<u>3,226</u>	<u>3,464</u>

**6. FINANCE COSTS**

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	2006
	(Unaudited)	(Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>		
Interests on bank and other loans wholly repayable within five years	<u>11,451</u>	<u>2,450</u>

**7. PROFIT/(LOSS) BEFORE INCOME TAX**

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

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	2006
	(Unaudited)	(Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>		
Depreciation	8,863	451
Amortisation of prepaid land lease payments	1,901	1,810
Loss/(Gain) on disposal of property, plant and equipment	6	(11)
Provision for inventories	<u>–</u>	<u>258</u>

**8. 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 current period (Hong Kong profits tax for the Group had been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2006). The subsidiaries established in the PRC are subject to income taxes at tax rates ranging between 15% and 33%.

Income tax on overseas profits 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.

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	2006
	(Unaudited)	(Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>		
Current tax – Hong Kong	–	182
– Elsewhere	3,140	1,201
Underprovision in respect of prior periods	<u>–</u>	<u>1,875</u>
	<u>3,140</u>	<u>3,258</u>

## 9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) from continuing and discontinued operations per share is based on the unaudited profit from continuing operations attributable to the equity holders of the Company for the period of HK\$35,290,000 (six months ended 30 June 2006: loss of HK\$28,612,000) and the profit from discontinued operations attributable to equity holders of the Company of HK\$357,281,000 (six months ended 30 June 2006: HK\$14,465,000) on the weighted average of 1,792,031,000 (six months ended 30 June 2006: 1,548,928,000) ordinary shares in issue during the period.

Diluted earnings/(loss) per share for the periods ended 30 June 2007 and 2006 have not been disclosed as no dilutive events existed during these periods.

## 10. DISCONTINUED OPERATIONS

This represented the disposal of the Group's entire equity interest in 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 disposal was completed on 22 May 2007. As property development represented a separate line of business of the Group, its results for the period and the net gain on disposal were classified as discontinued operations.

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

		<b>Period from 1 January 2007 to 22 May 2007</b>	For the six months ended 30 June 2006 (Restated)
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
(Profit)/Loss for the discontinued operations	<i>a</i>	<b>(9,785)</b>	14,341
Net gain on disposal of the discontinued operations	<i>b</i>	<b>366,806</b>	–
		<b><u>357,021</u></b>	<b><u>14,341</u></b>

Notes:

- a) The unaudited results of discontinued operations for the periods were as follows:

	<b>Period from 1 January 2007 to 22 May 2007  (Unaudited) HK\$'000</b>	For the six months ended 30 June 2006 (Restated) (Unaudited) HK\$'000
Revenue	3,350	264,118
Cost of sales	<u>(9,551)</u>	<u>(231,624)</u>
Gross profit	(6,201)	32,494
Other revenue	22	101
Selling and distribution expenses	(508)	(2,931)
Administrative expenses	(2,899)	(3,570)
Net surplus on revaluation of investment properties	–	2,677
Other operating expenses, net	<u>(276)</u>	<u>–</u>
Operating (loss)/profit	(9,862)	28,771
Financial revenue	<u>77</u>	<u>677</u>
<b>(Loss)/Profit before income tax from discontinued operations</b>	<b>(9,785)</b>	<b>29,448</b>
Income tax expense	<u>–</u>	<u>(15,107)</u>
<b>(Loss)/Profit after income tax from discontinued operations</b>	<b><u>(9,785)</u></b>	<b><u>14,341</u></b>

- b) The net gain on disposal of the discontinued operations was as follows:

	<b>Period from 1 January 2007 to 22 May 2007 (Unaudited) HK\$'000</b>
Total consideration ( <i>Note</i> )	<u>563,987</u>
<i>Less:</i> Net assets/(liabilities) of the discontinued operations as at 22 May 2007:	
Non-current assets	835,181
Current assets	576,447
Current liabilities	(928,882)
Non-current liabilities	(292,314)
Minority interests	<u>(30,194)</u>
	<u>160,238</u>
<i>Less:</i> Unamortised goodwill	<u>16,438</u>
Gain on disposal of the discontinued operations	387,311
<i>Less:</i> Income tax on gain on disposal of the discontinued operations	<u>20,505</u>
Net gain on disposal of the discontinued operations	<b><u>366,806</u></b>

*Note:*

The total consideration is satisfied by:

- i. Cash consideration of RMB36,000; and
- ii. Citychamp Dartong Company Limited (“Citychamp”) has allotted and issued 72,720,000 ordinary shares to the Group (“Consideration Shares”). Citychamp is the joint venturer of the Group’s jointly controlled entity and a company listed in the Shanghai Stock Exchange in the PRC. The Consideration Shares are subject to a three-year lock-up period commencing on the date of issue. The fair value of the Consideration Shares at 22 May 2007 have been revaluated by Asset Appraisal Limited, an independent professionally qualified valuer, at RMB7.60 per share on the market approach.

## 11. AVAILABLE- FOR- SALE FINANCIAL ASSETS

	30 June 2007 (Unaudited) HK\$’000	31 December 2006 (Audited) HK\$’000
Unlisted equity investment in the PRC, at cost	(3,804)	3,477
Provision for impairment	3,804	(3,477)
	<hr/>	<hr/>
	–	–
Listed equity investment in the PRC, at fair value	569,765	–
	<hr/>	<hr/>
	569,765	–
	<hr/> <hr/>	<hr/> <hr/>

The listed equity investment in the PRC represented the Consideration Shares allotted by Citychamp for the disposal of the discontinued operations.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operating results

For the six months ended 30 June 2007, the Group recorded an unaudited revenue (continuing and discontinued operations) of approximately HK\$313,047,000 (six months ended 30 June 2006: HK\$464,605,000), representing a decrease of HK\$151,558,000 compared with the corresponding period last year. Net Profit attributable to equity holders for the period was approximately HK\$392,571,000, representing an improvement of HK\$406,718,000 from a loss of HK\$14,147,000 for the corresponding period last year.

### Business review

#### (1) Asset Transaction

The transaction in relation to the transfer of the entire equity interest in Beijing Jing Guan Property Development Co. Ltd. (“Jing Guan”), a wholly-owned subsidiary of the Group, the 80% interest in Beijing Xin Yang Property Development Company Ltd (“Xin Yang”) and the allotment and issue of 72,720,000 shares of Citychamp Dartong Company Limited (“Citychamp Dartong”) was completed on 22 May 2007 (“Asset Transaction”). The Asset Transaction is a good opportunity for the Group to have an interest in a company listed in Shanghai with a sound profit track record, a high dividend payout ratio and promising prospect. As a result of the Asset Transaction, the Group recorded net gain on disposal of the discontinued operations of approximately HK\$366,806,000 for the period ended 30 June 2007.

(2) *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 2007. Revenue for the first half of 2007 was HK\$78,584,000, an increase of HK\$22,047,000, or 39%, from HK\$56,537,000 for the same period last year. Net profit after tax for the first half of 2007 was HK\$18,438,000 compared with HK\$6,620,000 for the same period in 2006, an increase of HK\$11,818,000, or 179%. The implementation of sale incentive system and cost control measures contributed to the increase in both revenue and net profit after tax. As at the end of June 2007, there were 25 sales offices in key cities, approximately 300 distribution points and 300 authorised dealers all over the PRC.

(3) *Timber Business*

Seti Timber Industry (Shenzhen) Company Limited (“Seti Timber”), a wholly-owned subsidiary of the Group, remained in tatters in the first half of 2007. Loss was HK\$11,252,000 for the first half of 2007 compared with HK\$27,715,000 in the same period last year, a decrease of HK\$16,463,000, or 59%. Owing to increased selling prices and cost control measures, Seti Timber’s performance showed improvement. The management will continue to execute strategies to realign product mix, increase production and sales of profitable products, save costs, focus on profitable product lines and streamline the operation.

(4) *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\$183,583,000 and HK\$2,807,000 respectively in the first half of 2007. 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\$830,000 in the first half of 2007.

(5) *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.

The revaluation of the investment property in Hong Kong generated revaluation surplus of HK\$22,853,000 for the period ended 30 June 2007.

## **Financial position**

(1) *Liquidity, Financial Resources and Capital Structure*

As at 30 June 2007, the Group had non-pledged cash and bank balances of approximately HK\$53,791,000. Based on the bank loans of HK\$164,924,000 and shareholders’ equity of HK\$943,617,000, the Group’s gearing ratio (being loans divided by Shareholders’ equity) was 17%.

As at 30 June 2007, the Group's bank loans amounting to HK\$106,563,000 (67%) of all bank loans were repayable within one year.

(2) *Charge on Assets*

Bank loans of HK\$27,835,000 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\$79,594,000 as at 30 June 2007.

(3) *Capital Commitments*

As at 30 June 2007, the Group had capital commitments of approximately HK\$9,497,000 related to the purchase of property, plant and equipment.

(4) *Contingent Liabilities*

The Group had no material contingent liabilities at 30 June 2007.

**Prospects**

Robust economic growth, strong capital inflows and rising incomes in the next few years in China will benefit our real estate development, watches and timepieces, enamelled copper wires and real estate investment segments.

With a sizable land bank in different cities in China, Citychamp Dartong will perform well and make significant contribution to the Group in the years to come. Expansion in the real estate development of the Group will also help drive long term growth. The Group is actively looking for new real estate projects in southern China.

Leveraging on its market leading position and comprehensive sales network, EBOHR will introduce premium products addressing the huge demand for such products in China. These products will further strengthen sales and net profit to EBOHR in the years to come.

After improving the quality of products, Fuzhou Dartong and Jiangsu Dartong have managed to attract more leading local and multinational customers, who are important for the long term profitability. The Group is actively seeking further growth of the enamelled copper wires business by acquiring and teaming up with our peers.

The performance of the real estate investment portfolio will improve due to the higher rental income to be generated.

The Group's various segments are bearing fruit. Recurring profit of the Group will increase gradually driven by the increasing dividends from Citychamp Dartong, the growth of EBOHR, Fuzhou Dartong and Jiangsu Dartong, the increase in rental income and the contributions from new real estate development projects.

Looking forward, our Group will continue to grow by developing its existing businesses and expanding rapidly its real estate development and investment businesses.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2007, the Group had approximately 1,510 full-time staffs 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 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 denominated in RMB. Since the Group's bank borrowings are also mainly 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 2007 (six months ended 30 June 2006: 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 (the Listing Rules") throughout the six months ended 30 June 2007, except for 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 2007 due to his business trip outside Hong Kong.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Board 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 2007.

## **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 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 2007.

## **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](http://www.hkex.com.hk) and the Company's website at [www.irasia.com/listco/hk/chinahaidian](http://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. I 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 31 August 2007

*As at the date of this announcement, the Board comprises Mr. Hon Kwok Lung, Mr. Wang Shaolan, Mr. Shang Jian Guang, 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.*