CHINA HAIDIAN HOLDINGS LIMITED

中國海澱集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 256)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

The board of directors (the "Board") of China Haidian Holdings Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2006 together with the consolidated balance sheet of the Group as at 31 December 2006, and the notes with comparative figures for the year ended 31 December 2005 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	Notes	**2006** *HK$'000*	**2005** *HK$'000* (Restated)
Continuing operations:			
Revenue	*5*	434,758	320,497
Cost of sales		(367,672)	(269,447)
Gross profit		67,086	51,050
Other revenue	*6*	13,195	5,331
Selling and distribution expenses		(48,339)	(40,337)
Administrative expenses		(82,278)	(65,027)
Gain/(Loss) on fair value change in financial assets at fair value through profit or loss, net		38,589	(329)
Net surplus on revaluation of investment properties		22,031	996
Other operating income, net		15,826	10,072
Operating profit/(loss)		26,110	(38,244)
Financial revenue	*6*	1,724	2,056
Finance costs		(5,061)	(2,699)
Share of results of an associate		5,028	–
Profit/(loss) before income tax	*7*	27,801	(38,887)
Income tax expense	*8*	(7,815)	(3,362)
Profit/(loss) after income tax from continuing operations		19,986	(42,249)
Discontinued operations:			
Profit/(loss) for the year from discontinued operations	*9*	2,081	(1,462)
Profit/(loss) for the year		22,067	(43,711)
Attributable to:			
Equity holders of the Company		22,347	(43,275)
Minority interest		(280)	(436)
Profit/(loss) for the year		22,067	(43,711)
Earnings/(loss) per share from continuing operations attributable to equity holders of the Company	*11*		
Basic		HK1.29 cents	HK(2.74) cents
Diluted		N/A	N/A
Earnings/(loss) per share from discontinued operations attributable to equity holders of the Company	*11*		
Basic		HK0.15 cent	HK(0.06) cent
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET
As at 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		200,684	213,587
Investment properties		159,748	66,689
Prepaid land lease payments		46,545	48,029
Interest in an associate		29,272	–
Available-for-sale financial assets		–	–
Properties under development		–	291,046
Prepayments and deposits		41,982	48,128
Deferred tax assets		1,062	1,021
		479,293	668,500
Current assets			
Properties held for sale		–	70,330
Properties under development		–	194,133
Inventories		114,424	105,922
Trade and bills receivable	*12*	90,937	25,288
Prepaid land lease payments		3,764	3,619
Prepayments, deposits and other receivables		33,391	37,212
Financial assets at fair value through profit or loss		48,765	44,210
Due from minority equity holders		–	7,480
Pledged deposits		4,892	18,653
Cash and cash equivalents		39,836	370,909
		336,009	877,756
Assets in disposal group classified as held for sale	*9*	1,262,408	–
		1,598,417	877,756
Current liabilities			
Trade payables	*13*	46,683	108,760
Deposits received from customers		1,613	255,163
Other payables and accruals		58,623	98,135
Tax payables		9,597	12,007
Borrowings		116,353	96,154
Due to related companies		180,000	134
		412,869	570,353
Liabilities in disposal group classified as held for sale	*9*	1,038,855	–
		1,451,724	570,353
Net current assets		146,693	307,403
Total assets less current liabilities		625,986	975,903
Non-current liabilities			
Borrowings		55,348	317,308
Deferred tax liabilities		–	794
Deferred income		–	177,906
		55,348	496,008
Net assets		570,638	479,895
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		179,203	154,483
Reserves		348,715	304,535
Income and expenses recognised directly in equity relating to disposal group		10,017	–
		537,935	459,018
Minority interest		32,703	20,877
Total equity		570,638	479,895

NOTES:

1. GENERAL INFORMATION

China Haidian Holdings Limited (the "Company") is a limited liability company incorporated and domiciled in the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands and its principal place of business is Suites 2701–2705 & 2715–2716, 27th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the principal activities of the Company and its subsidiaries and a jointly-controlled entity (together referred to as the "Group") include:

– Manufacture and distribution of watches and timepieces

– Manufacture and distribution of timber products

– Property investment

The principal activities of a jointly-controlled entity of the Group are manufacture and distribution of enamelled copper wires.

On 15 September 2006, 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 People's Republic of China (the "PRC") and are principally engaged in the property development. These two subsidiaries are collectively referred to as the "Disposal Group" hereafter whilst the Company and the remaining subsidiaries are collectively referred to as the "Remaining Group". Details of this transaction have been set out in the Company's circular dated on 30 August 2006 (the "Circular").

As the property development carried out by the Disposal Group represents a component of the Group's business, the operation and cash flow of which can be clearly distinguished from the rest of the Group and which represents a separate main line of business, the Group presented, in its financial statements during the year, the operations of the Disposal Group as discontinued operation in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 5. Further details regarding the Disposal Group's results for the year ended 31 December 2006 and its assets and liabilities as at 31 December 2006 are set out in Note 9.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rule Governing the Listing of Securities on the Stock Exchange. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

3. ADOPTION OF NEW OR REVISED HKFRS

3.1 During the year, the Group has applied, for the first time, a number of new and amended HKFRSs, which are effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. These include the following:

HKAS 1, HKAS 27 & HKFRS 3 (Amendment)	Presentation of Financial Statements, Consolidated and Separate Financial Statements & Business Combinations – Amendments as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HKFRS 1 & HKFRS 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a lease
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

The adoption of the above new and amended HKFRSs has resulted in changes to the Group's accounting policies as set out below, but these had no material effect on the amounts reported for the current and prior accounting periods:

(a) *Financial guarantee contracts*

In the current year, the Group has adopted the amendments to HKAS 39 "Financial Instruments: Recognition and Measurement – Financial Guarantee Contracts" which is effective for annual period beginning on or after 1 January 2006. A financial guarantee contract is defined by HKAS 39 "Financial Instruments: Recognition and Measurement" as a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group act as the issuer of financial guarantee contracts.

Prior to 1 January 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligations and the amount can be estimated reliably.

Upon the adoption of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue". In connection with financial guarantees in favour of certain banks for mortgage loans granted by the bankers of the Group's properties under development and a financial guarantee to a bank for a loan granted by the bank to the joint venturer this change in accounting policy has had no material effect on the Group's amounts reported for the current and prior accounting periods.

(b) *Leases*

In the current year, the Group has adopted HK(IFIC)-Int 4 which concludes that an arrangement may contain a lease if the substance of the transaction (for a series of transactions) is the transfer of the right to use a specific asset or assets for an agreed period of time in return for a payment (or a series of payments) even if there is no legal form of a lease. The Group has followed the guidance in HK(IFRIC)-Int 4 to assets its outsourcing arrangements and does not identify material arrangements containing leases. Accordingly, this change has had no material effect on the Group's results for the current and prior accounting periods.

3.2 New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company is 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 financial statements.

HKAS 1 (Amendment)	"Presentation of Financial Statements" – Capital Disclosures [1]
HKFRS 7	"Financial Instruments: Disclosures" [1]
HKFRS 8	"Operating segments" [2]
HK(IFRIC) Interpretation 7	"Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies" [3]
HK(IFRIC) Interpretation 8	"Scope of HKFRS 2" [4]
HK(IFRIC) Interpretation 9	"Reassessment of Embedded Derivatives" [5]
HK(IFRIC) Interpretation 10	"Interim Financial Reporting and Impairment" [6]
HK(IFRIC) Interpretation 11	"Group and Treasury Share Transactions" [7]
HK(IFRIC) Interpretation 12	"Service Concession Arrangements" [8]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 March 2006
[4] Effective for annual periods beginning on or after 1 May 2006
[5] Effective for annual periods beginning on or after 1 June 2006
[6] Effective for annual periods beginning on or after 1 November 2006
[7] Effective for annual periods beginning on or after 1 March 2007
[8] Effective for annual periods beginning on or after 1 January 2008

4. SEGMENT INFORMATION

Primary reporting format – business segments

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.

Property development carried out by the Disposal Group as mentioned in Note 1 during the year have been classified as discontinued operations for the year. *(Note 9)*

Intersegment sales are charged at prevailing market prices.

2006

	Continuing operations						Discontinued operations
	Watches and timepieces *HK$'000*	**Timber products** *HK$'000*	**Enamelled copper wires** *HK$'000*	**Property investment** *HK$'000*	**Corporate and others** *HK$'000*	**Total** *HK$'000*	**Property development** *HK$'000*
Segment revenue and gains:							
Sales to external customers	130,358	103,984	196,414	4,002	–	434,758	282,953
Other revenue and financial revenue	1,884	1,917	9,515	2	1,601	14,919	5,690
Total	132,242	105,901	205,929	4,004	1,601	449,677	288,643
Segment results	22,067	(31,065)	7,168	22,832	6,832	27,834	12,912
Share of results of an associate						5,028	–
Finance costs						(5,061)	–
Profit before income tax						27,801	12,912
Income tax						(7,815)	(10,831)
Profit for the year						19,986	2,081
Segment assets	107,031	246,299	165,273	160,735	135,964	815,302	1,262,408
Segment liabilities	32,458	237,185	112,406	8,259	77,909	468,217	1,038,855
Other segment information:							
Depreciation and amortisation of prepaid land lease payments	2,735	17,774	2,444	–	804	23,757	1,616
Net surplus on revaluation of investment properties	–	–	–	(22,031)	–	(22,031)	(3,183)
(Write-back)/Provision for inventories	261	(6,379)	–	–	–	(6,118)	–
Capital expenditure	1,065	13	2,108	88,795	5,195	97,176	865

2005

	Continuing operations							Discontinued operations
	Property development *HK$'000* Restated	**Watches and timepieces** *HK$'000* Restated	**Timber products** *HK$'000* Restated	**Enamelled copper wires** *HK$'000* Restated	**Property investment** *HK$'000* Restated	**Corporate and others** *HK$'000* Restated	**Total** *HK$'000* Restated	**Property development** *HK$'000* Restated
Segment revenue and gains:								
Sales to external customers	–	122,884	174,010	18,332	5,271	–	320,497	299,339
Other revenue and financial revenue	–	835	3,632	1,778	–	1,142	7,387	3,477
Total	–	123,719	177,642	20,110	5,271	1,142	327,884	302,816
Segment results	–	18,940	(37,578)	(612)	4,186	(21,124)	(36,188)	16,757
Finance costs							(2,699)	–
Profit/(Loss) before income tax							(38,887)	16,757
Income tax							(3,362)	(18,219)
Loss for the year							(42,249)	(1,462)
Segment assets	947,452	106,312	284,814	48,119	49,997	109,562	1,546,256	–
Segment liabilities	537,813	28,102	64,106	1,531	7,317	427,492	1,066,361	–
Other segment information:								
Depreciation and amortisation of prepaid lease payments	–	2,539	16,301	1,553	–	720	21,113	756
Impairment of goodwill	–	–	4,816	–	–	–	4,816	–
Net surplus of revaluation investment properties	–	–	–	–	(996)	–	(996)	(2,382)
Provision for inventories	–	–	3,775	–	–	–	3,775	–
Impairment of available-for-sale investments	–	–	–	–	–	3,477	3,477	–
Capital expenditure	–	570	393	35,547	25,207	110	61,827	7,044

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:

	2006 *HK$'000*	2005 *HK$'000* (Restated)
Continuing operations:		
Hong Kong	27,938	33,785
PRC	406,820	286,712
	434,758	320,497
Discontinued operations:		
PRC	282,953	299,339
	717,711	619,836

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

	Segment assets		Capital expenditures	
	2006 *HK$'000*	2005 *HK$'000* (Restated)	2006 *HK$'000*	2005 *HK$'000* (Restated)
Continuing operations:				
Hong Kong	135,964	84,359	93,990	110
PRC	679,338	514,445	3,186	61,717
	815,302	598,804	97,176	61,827
Discontinued operations:				
PRC	1,262,408	947,452	865	7,044
	2,077,710	1,546,256	98,041	68,871

5. REVENUE AND TURNOVER

Revenue, 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 year is as follows:

	2006 *HK$'000*	2005 *HK$'000* (Restated)
Revenue on continuing operations		
Sales of goods	428,620	315,226
Gross rental income	6,138	5,271
	434,758	320,497

6. OTHER REVENUE AND FINANCIAL REVENUE

	2006 *HK$'000*	2005 *HK$'000* (Restated)
(a) Other revenue on continuing operations		
PRC value-added tax refund	2,929	3,030
Income from sale of scrapped materials	9,515	1,757
Others	751	544
	13,195	5,331

	2006 *HK$'000*	2005 *HK$'000* (Restated)
(b) Financial revenue on continuing operations		
Interest income	968	1,818
Dividend income from financial assets at fair value through profit or loss	756	238
	1,724	2,056

7. PROFIT/(LOSS) BEFORE INCOME TAX

	2006 *HK$'000*	2005 *HK$'000* (restated)
Continuing operations		
Profit/(loss) before income tax is arrived at after charging/(crediting):		
Cost of inventories recognised as expense	367,672	269,447
Depreciation	20,292	17,528
Amortisation of prepaid land lease payments	3,465	3,585
Impairment of goodwill	–	4,816
Minimum lease payments under operating leases in respect of land and buildings	4,218	4,380
Auditors' remuneration	1,000	1,408
Gross rental income	(6,138)	(5,271)
Less: direct operating expenses	861	2,342
Net rental income	(5,277)	(2,929)
Gain on disposals of an associate	–	(3,769)
Gain on disposals of available-for-sale financial assets	–	(13,145)
Impairment of available-for-sale financial assets	–	3,477
Loss/(Gain) on disposals/write off of property, plant and equipment, net	31	(1,429)
Impairment of doubful debts	1,997	–
Write-back for inventories	(6,379)	–
Provision for inventories	261	3,775

8. INCOME TAX EXPENSE

For the year ended 31 December 2006, Hong Kong profits tax for the Group has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong (2005: 17.5%). 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 profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2006 *HK$'000*	2005 *HK$'000* Restated
Continuing operations		
Current tax for the year:		
Hong Kong	2,294	303
Elsewhere	3,304	3,085
Under/(Over)provision in respect of prior years	2,217	(26)
Total income tax expense	7,815	3,362

9. ASSETS IN DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

As described in Note 1, on 15 September 2006, a shareholders' resolution was passed to dispose of the entire paid-up capital of the Disposal Group to Citychamp Dartong Company Limited ("Citychamp") for a consideration of RMB360 million. Citychamp is the joint venturer of the Group's jointly controlled entity and a company listed in the Shanghai Stock Exchange in the PRC. In return, Citychamp has conditionally agreed to allot and issue 72,720,000 shares ("Consideration Shares") and pay RMB36,000 to the Group as the consideration. The issue price of the Consideration Shares is RMB4.95 each. Details of this transaction have been set out in the Company's Circular.

This transaction becomes unconditional subject to the following conditions:

(i) Citychamp's shareholders resolution passed at its general meeting approving the transaction;

(ii) The Company's Shareholders ordinary resolution at the Extraordinary General Meeting approving the transaction;

(iii) Approval from the Ministry of Commence of the PRC for the transaction;

(iv) Approval from the Commerce Department in Beijing for the change of the equity structure of Jing Guan; and

(v) Approval from the China Securities Regulatory Commission (the "CSRC") for the allotment and issue of the Consideration Shares to the Group by Citychamp and waiving all such mandatory general offer obligations, as a result of the transaction.

As at 31 December 2006, conditions (i), (ii), (iii) and (iv) have been satisfied. As the condition (v) where approval from the CSRC is required has been obtained on 11 April 2007, the completion date of the transaction shall take place within 60 business days from 11 April 2007.

The Group presented, in its financial statements during the year, the operations, property development, of the Disposal Group as discontinued operations in accordance with HKFRS 5.

An analysis of the results of the Disposal Group for the year ended 31 December 2006, with the comparatives for illustration purpose, is as follows:

	2006	2005
	HK$'000	*HK$'000*
Revenue	282,953	299,339
Cost of sales	(267,615)	(268,527)
Gross profit	15,338	30,812
Other revenue	3,844	898
Selling and distribution expenses	(4,330)	(13,328)
Administrative expenses	(7,087)	(6,608)
Net surplus on revaluation of investment properties	3,183	2,382
Other operating income, net	118	22
Operating profit	11,066	14,178
Financial revenue	1,846	2,579
Profit before income tax on discontinued operations	12,912	16,757
Income tax expense *(Note)*	(10,831)	(18,219)
Profit/(loss) after income tax on discontinued operations	2,081	(1,462)
Operating cash flows	(153,956)	(25,889)
Investing cash flows	732	(38,835)
Financing cash flows	32,019	252,140
Total cash (outflow)/inflow	(121,205)	187,416

Note: The current tax and deferred tax for the year ended 31 December 2006 amounted to HK$10,213,000 (2005: HK$17,425,000) and HK$118,000 (2005: HK$714,000) respectively.

An analysis of the assets and liabilities of the Disposal Group as at balance sheet dates is as follows:

	2006
	HK$'000
Assets included in disposal group classified as held for sale:	
Property, plant and equipment	8,658
Investment properties *(Note)*	31,900
Properties under development	890,406
Properties held for sales	70,164
Trade receivables	5,806
Prepayments, deposits and other receivables	52,115
Due from minority equity holders	489
Pledged deposits	8,090
Cash and cash equivalents	194,780
	1,262,408
Liabilities included in disposal group classified as held for sale:	
Trade payables	89,773
Deposits received from customers	270,488
Other payables and accruals	58,271
Taxes payables	13,560
Interest-bearing bank borrowings	330,000
Other loans	90,000
Due to related companies	296
Deferred tax liabilities	1,444
Deferred income	185,023
	1,038,855
Net assets	223,553

Note: At 31 December 2006, the relevant title certificates for these properties have not yet been obtained. The Group's legal advisors have confirmed that Jing Guan is the rightful and equitable owners of these properties.

These properties have been revalued by Greater China Appraisal Limited, independent professionally qualified valuer, at HK$31,900,000 in aggregate on an open market, existing use basis. Net surplus on revaluation of investment properties HK$3,183,000 (2005: HK$2,382,000) has been included in the results of the Disposal Group.

10. DIVIDENDS

The board of directors did not recommend any payment of dividends during the year (2005: Nil).

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) from continuing and discontinued operations per share is based on the profit from continuing operations attributable to equity holders of the Company of HK$19,986,000 (2005: loss of HK$42,249,000) and the profit from discontinued operations attributable to equity holders of the Company of HK$2,361,000 (2005: Loss of HK$1,026,000) on the weighted average of 1,548,928,000 (2005: 1,544,831,000) ordinary shares in issue during the year.

Diluted earnings/(loss) per share for the years ended 31 December 2006 and 2005 have not been disclosed as no diluting events existed during the years.

12. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for certain customers, where payment in advance is required. The credit period is generally for a period of three months (2005: one month) (extending up to 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

Included in trade receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2006	**2005**
	Rmb'000	*Rmb'000*
Renminbi ("RMB")	90,937	26,299

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

	2006	**2005**
	HK$'000	*HK$'000*
1 to 3 months	90,846	24,827
4 to 6 months	40	–
7 to 12 months	51	461
	90,937	25,288

13. TRADE PAYABLES

The ageing analysis of the trade payables (including amounts due to related parties of trading in nature) as at balance sheet dates is as follows:

	2006	**2005**
	HK$'000	*HK$'000*
0 – 30 days	45,155	97,763
31 – 60 days	727	2,811
61 – 90 days	–	935
Over 90 days	801	7,251
	46,683	108,760

Included in trade payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2006	**2005**
	RMB'000	*RMB'000*
Denominated in RMB	46,683	113,110

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

FINAL DIVIDEND

The Board has resolved not to distribute a final dividend for the year ended 31 December 2006 (2005: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS

For the year ended 31 December 2006, the Group's revenue (continuing and discontinued operations) amounted to HK$717,000,000, an increase of HK$98,000,000 over last year. Gross profit increased by HK$562,000 to HK$82,000,000 while net profit attributable to equity holders increased by HK$66,000,000 to HK$22,000,000.

(1) Property Development Business

Beijing Jing Guan Property Development Co. Ltd. ("Beijing Jing Guan"), a wholly-owned subsidiary of the Group, achieved satisfactory operating results. Two residential blocks of Sunpalace Mercury Garden, with a total area of 46,772 sq.m., were completed and sold, generating revenue of HK$266,781,000 during the year. The structural work of the office block, with a total area of 23,184 sq.m., has been commenced and were pre-sold at an average selling price of HK$8,450 per sq.m. Such revenue will be recognised in 2007.

Beijing Xin Yang Property Development Co. Ltd. ("Beijing Xin Yang"), a 80% owned subsidiary of the Group, has completed the resettlement work of the Guangqumen redevelopment project, which 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. Preparatory works for the construction are in progress.

(2) Watches and Timepieces Business

Revenue of EBOHR Luxuries International Company Limited ("EBOHR"), a wholly-owned subsidiary of the Group, increased by 6% to approximately HK$130,000,000 in 2006 over the previous year, contributing net profit of approximately HK$19,000,000 to the Group. The growth was mainly attributable to the innovative designs, emerging brand recognition, and strong sales network and market development. As at the end of December 2006, there were 25 sale offices in key cities, approximately 300 distribution points and 300 authorized dealers all over the PRC. In 2006, institutional sales and exports accounted for 20% and 10% of total sales respectively.

(3) Timber Business

Seti Timber Industry (Shenzhen) Company Limited ("Seti Timber"), a wholly-owned subsidiary of the Group, remained in tatters in 2006. Of all the negative factors contributing to the unsatisfactory performance, the imbalance between supply and demand of the products is crucial. Owing to increase in business volume during the second half of 2006, the performance in the second half showed slight improvement. The management has implemented strategies to realign product mix, increase production and sales of profitable products, save costs, focus on profitable product lines and streamline the operation in order to resume profitability in 2007.

(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$196,000,000 and HK$4,000,000 respectively in 2006. In the first half of 2006, the annual full production capacity was 7,500 tons with an additional production capacity of 2,500 tons being added in the latter half. At the end of 2006, annual production capacity of 10,000 tons was fully operational. The increased production capacity led to corresponding increases in revenue and net profit after tax in 2006. The annual production capacity will be increased to 15,000 tons in 2007.

Jiangsu Dartong M&E Co. Ltd. ("Jiangsu Dartong"), a 25% owned associated company of the Group recorded contributions of approximately HK$5,000,000 in 2006. Jiangsu Dartong increased production capacity to satisfy market demand in 2006. As such, sales volume increased from 13,000 tons in 2005 to 16,000 tons in 2006.

(5) Property Investment

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

In December 2006, the Group purchased an investment property in Hong Kong for HK$98,640,000. Such investment is expected to generate satisfactory returns to the Group, given the robust luxury residential market conditions in Hong Kong.

FINANCIAL POSITION

(1) Liquidity, Financial Resources and Capital Structure

As at 31 December 2006, the Group had non-pledged cash and bank balances of approximately HK$234,616,000 (31 December 2005: HK$370,909,000). Based on bank loans of HK$501,701,000 (31 December 2005: HK$413,462,000) and shareholders' equity of HK$537,935,000 (31 December 2005: HK$459,018,000), the Group's gearing ratio (being loans divided by shareholders' equity) was 93% (31 December 2005: 90%). As at 31 December 2006, the Group's bank loans amounting to HK$116,353,000 (23% of all bank loans) were repayable within one year.

(2) Charge on Assets

Bank loans of HK$330,000,000 were granted to Beijing Jing Guan, which is secured by the land use rights of the East Part of E Area, Taiyanggong New District, Chao Yang Qu, Beijing, the PRC. Bank loans of HK$27,000,000 and other banking facilities of Seti Timber are secured by land and buildings in Nanshan District, Shenzhen owned by the Group in the PRC with net book values amounting to approximately HK$128,233,000 as at 31 December 2006.

(3) Capital Commitments

As at 31 December 2006, the Group had capital commitments of approximately HK$198,383,000 mainly relating to the construction costs payable in respect of the Group's property development projects in Beijing and the proposed acquisition of 21% equity interests in Beijing Haidian Science Park Development Co., Ltd., which will be satisfied by funds generated from the sales of property and the Group's available cash.

(4) Contingent Liabilities

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

OUTLOOK

The growth of the PRC economy is expected to be buoyant in the next few years, which will benefit our property, watches and timepieces, enamelled copper wires and property investment segments.

In the next few years, the 2008 Olympiad will favour the property market in Beijing and the Group's project in Guangqumen.

For the watches and timepieces business, the Group will devote more efforts in expanding sales network and establishing cooperation with famous international brands. Leveraging on its market leading position and comprehensive sales network and the awareness of the international brands, it will achieve increasing revenue in the PRC. Besides, export sales are also growing steadily.

Following the consolidation of the enamelled copper wires industry, our peers with poor product quality and weak financial strength have been gradually eliminated. Sales revenue and market shares of Fuzhou Dartong and Jiangsu Dartong are expected to increase due to advanced technology with international standards, specialized products and strong financial capability. China's accession to WTO and the gradual shift of global manufacturing base to the PRC will also contribute to the growth of Fuzhou Dartong and Jiangsu Dartong. The Group is actively seeking further growth of the enamelled copper wires business by acquiring and teaming up with our peers. In 2007, the Group will continue to engage in the existing five business segments. Capitalising on the economic growth of PRC and Hong Kong, the Group will actively expand all business segments except timber segment. More efforts will be put in the timber segment to stem the loss. Besides, the Group will seek additional opportunities so as to diversify the Group's sources of revenue and generate satisfactory returns for shareholders.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2006, the Group had approximately 2,000 full-time staffs in Hong Kong and the PRC. Remuneration packages offered to the employees are determined and reviewed on the principles of fairness 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 scheme.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has applied the principles and complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2006, except for the deviations from code provisions E.1.2 of the Code as explained in the Company's interim report for the period ended 30 June 2006.

Details of compliance with the Code will be set out in the corporate governance report in the 2006 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 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. The Remuneration Committee currently comprises the 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 Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial matters including the review of the audited financial statements for the year ended 31 December 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 ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

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

APPRECIATION

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

By order of the Board
Hon Kwok Lung
Chairman

Hong Kong, 25 April 2007

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.