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 2007

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 2007 together with the consolidated balance sheet of the Group as at 31 December 2007, and the notes with comparative figures for the year ended 31 December 2006 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
Continuing operations:			
Revenue	5	576,058	330,774
Cost of sales		(468,903)	(251,462)
Gross profit		107,155	79,312
Other income	6	14,637	9,759
Selling and distribution expenses		(54,708)	(45,602)
Administrative expenses		(65,910)	(51,906)
Gain on fair value changes in financial assets at fair value through profit or loss, net		24,629	38,589
Net surplus on revaluation of investment properties		10,178	22,031
Dividend income from available-for-sale financial assets		48,383	–
Gain on disposal of an investment property		22,853	–
Other operating income, net		4,614	3,473
Operating profit		111,831	55,656
Financial income	6	1,923	1,690
Finance costs		(7,157)	(2,880)
Share of results of an associate		2,212	5,028
Profit before income tax	7	108,809	59,494
Income tax expense	8	(7,168)	(7,815)
Profit after income tax from continuing operations		101,641	51,679
Discontinued operations:			
Profit/(Loss) for the year from discontinued operations	9.3	325,566	(29,612)
Profit for the year		427,207	22,067
Attributable to:			
Equity holders of the Company		427,467	22,347
Minority interest		(260)	(280)
Profit for the year		427,207	22,067
Earnings per share from continuing operations attributable to equity holders of the Company	10		
Basic		HK cents 5.67	HK cents 3.34
Diluted		N/A	N/A
Earnings/(Loss) per share from discontinued operations attributable to equity holders of the Company	10		
Basic		HK cents 18.18	(HK cents 1.89)
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET
As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		125,394	200,684
Investment properties		60,258	159,748
Prepaid land lease payments		10,227	46,545
Interests in an associate		31,484	29,272
Available-for-sale financial assets		853,380	–
Prepayments and deposits		2,394	41,982
Deferred tax assets		1,130	1,062
		1,084,267	479,293
Current assets			
Inventories		142,026	114,424
Trade and bills receivables	*11*	44,052	90,937
Prepaid land lease payments		210	3,764
Prepayments, deposits and other receivables		87,277	33,391
Financial assets at fair value through profit or loss		44,178	48,765
Pledged deposits		–	4,892
Cash and cash equivalents		82,362	39,836
		400,105	336,009
Non-current assets held for sale	*9.5*	200,989	–
Assets in disposal group classified as held for sale	*9.6*	–	1,262,408
		601,094	1,598,417

	Notes	2007 HK$'000	2006 HK$'000
Current liabilities			
Trade payables	*12*	33,497	46,683
Deposits received from customers		–	1,613
Other payables and accruals		95,767	58,623
Tax payables		13,188	9,597
Derivative financial instruments		5,017	–
Borrowings		112,815	116,353
Due to related companies		209,311	180,000
		469,595	412,869
Liabilities in disposal group classified as held for sale	*9.6*	–	1,038,855
		469,595	1,451,724
Net current assets		131,499	146,693
Total assets less current liabilities		1,215,766	625,986
Non-current liabilities			
Borrowings		–	55,348
		–	55,348
Net assets		1,215,766	570,638
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		179,203	179,203
Reserves		1,034,171	348,715
Income and expense recognised directly in equity relating to disposal group		–	10,017
		1,213,374	537,935
Minority interests		2,392	32,703
Total equity		1,215,766	570,638

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

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 Units 1902-04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, 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 (together referred to as the "Group") include:

– Manufacture and distribution of watches and timepieces

– Property investment

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

On 3 December 2007, 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"). 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. Pursuant to the Land Resumption Agreement, in 2008, the Shenzhen Municipal Government shall resume a piece of the land in Shenzhen that is leased to Seti and Seti shall cease its existing production operations. 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. Details of this transaction have been set out in the Company's circular dated on 24 December 2007 (the "2007 Circular").

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 PRC and are principally engaged in the property development (the "2006 Discontinued Property Development Business"). Details of this transaction have been set out in the Company's circular dated on 30 August 2006 (the "2006 Circular"). The disposals of the 2006 Discontinued Property Development Business carried out by Jing Guan and Xin Yang were completed on 22 May 2007. Jing Guan and Xin Yang are together referred to as the "2006 Disposal Group" hereafter.

As the 2007 Discontinued Timber Business carried out by Seti and the 2006 Discontinued Property Development Business carried out by the 2006 Disposal Group represent 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 represent separate major lines of businesses, the Group presented, in its financial statements, the operations of the 2007 Discontinued Timber Business and the 2006 Discontinued Property Development Business as discontinued operations in accordance with HKFRS5. Further details regarding the 2007 Discontinued Timber Business and the 2006 Discontinued Property Development Business are set out in note 9.

The Company and other subsidiaries not engaged in the 2007 Discontinued Timber Business and the 2006 Discontinued Property Development Business are referred to as the "Remaining Group".

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int")) 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 certain financial assets and liabilities which have been measured at fair value. These 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 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 and judgement of current events and actions, actual results may ultimately differ from those estimates.

Going concern

The financial statements have been prepared on a going concern basis though the Remaining Group had net current liabilities (after excluding the non-current assets held for sale/assets and liabilities in disposal group held for sale) of HK$69,490,000 (2006: HK$76,860,000) as at 31 December 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 agreed not to demand repayment of the amount of HK$191,490,000 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 31 December 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 Remaining Group be unable to continue as a going concern.

3. ADOPTION OF NEW OR REVISED HKFRS

From 1 January 2007, the Group has adopted all the new and amended HKFRSs which are first effective on 1 January 2007 and relevant to the Group. The adoption of these new and amended HKFRSs did not result in significant changes in the Group's accounting policies but gave rise to additional disclosures. The specific transitional provisions contained in some of these new or amended HKFRSs have been considered.

In accordance with the HKAS 1 (Amendment) Presentation of Financial Statements – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report.

HKFRS 7 – Financial Instruments: Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its financial statements for the year ended 31 December 2007. All disclosures relating to financial instruments including the comparative information have been updated to reflect the new requirements. In particular, the Group's financial statements now feature:

– a sensitive analysis explained the Group's market risk exposure in regard to its financial instruments, and

– a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, net income or balance sheet line items.

The Group has not adopted early 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 consolidated 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]
HKFRS 2 (Amendment)	"Share based Payment"[1]
HKFRS 3 (Revised)	"Business Combinations"[2]
HKFRS 8	"Operating Segments"[1]
HK(IFRIC) – Int 11	HKFRS 2 "Group and Treasury Share Transactions"[3]
HK(IFRIC) – Int 12	"Service Concession Arrangements"[4]
HK(IFRIC) – Int 13	"Customer Loyalty Programmes"[5]
HK(IFRIC) – Int 14	"HKAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction"[5]

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 March 2007
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 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 enamelled copper wires (carried out by the Group's jointly controlled entity);

(c) property investment; and

Manufacture and distribution of timber products carried out by the 2007 Discontinued Timber Business and the 2006 Discontinued Property Development Business 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).

Inter-segment sales are charged at prevailing market prices.

2007

	Continuing operations				Discontinued operations		
	Watches and timepieces *HK$'000*	**Enamelled copper wires** *HK$'000*	**Property investment** *HK$'000*	**Total** *HK$'000*	**2006 Discontinued Property Development Business** *HK$'000*	**2007 Discontinued Timber Business** *HK$'000*	**Total** *HK$'000*
Segment revenue and gains:							
Sales to external customers	165,327	406,482	4,249	576,058	3,350	104,887	108,237
Other income and financial income	1,025	14,599	29	15,653	99	4,802	4,901
Total	166,352	421,081	4,278	591,711	3,449	109,689	113,138
Segment results	37,636	4,295	31,275	73,206	(9,785)	(19,851)	(29,636)
Unallocated corporate income and expenses, net				40,548			366,806
				113,754			337,170
Share of results of an associate				2,212			–
Finance costs				(7,157)			(11,604)
Profit before income tax				108,809			325,566
Income tax				(7,168)			–
Profit for the year				101,641			325,566
Segment assets	137,360	200,971	61,285	399,616	–	276,052	276,052
Unallocated assets				1,009,693			–
				1,409,309			276,052
Segment liabilities	38,713	27,428	11,301	77,442	–	49,712	49,712
Borrowings				86,219			26,596
Due to related companies				13,034			196,277
Unallocated liabilities				20,315			–
				197,010			272,585
Other segment information:							
Depreciation and amortisation of prepaid land lease payments	2,640	2,887	–	5,527	291	10,387	10,678
Net surplus on revaluation of investment properties	–	–	(10,178)	(10,178)	–	–	–
Capital expenditure	5,847	78,003	10,513	94,363	23	–	23

2006 (Restated)

	Continuing operations				Discontinued operations		
	Watches and timepieces *HK$'000*	**Enamelled copper wires** *HK$'000*	**Property investment** *HK$'000*	**Total** *HK$'000*	**2006 Discontinued Property Development Business** *HK$'000*	**2007 Discontinued Timber Business** *HK$'000*	**Total** *HK$'000*
Segment revenue and gains:							
Sales to external customers	130,358	196,414	4,002	330,774	282,953	103,984	386,937
Other income and financial income	331	9,515	2	9,848	5,690	3,470	9,160
Total	130,689	205,929	4,004	340,622	288,643	107,454	396,097
Segment results	20,514	7,168	22,832	50,514	12,912	(29,512)	(16,600)
Unallocated corporate income and expenses				6,832			–
				57,346			(16,600)
Share of results of an associate				5,028			–
Finance costs				(2,880)			(2,181)
Profit before income tax				59,494			(18,781)
Income tax				(7,815)			(10,831)
Profit for the year				51,679			(29,612)
Segment assets	107,031	165,273	160,735	433,039	1,262,408	246,299	1,508,707
Unallocated assets				135,964			–
				569,003			1,508,707
Segment liabilities	32,458	26,705	8,259	67,422	618,559	30,185	648,744
Borrowings				144,701			447,000
Due to related companies				–			180,296
Unallocated liabilities				18,909			–
				231,032			1,276,040
Other segment information:							
Depreciation and amortisation of prepaid land lease payments	2,735	2,444	–	5,179	1,616	17,774	19,390
Net surplus on revaluation of investment properties	–	–	(22,031)	(22,031)	(3,183)	–	(3,183)
(Write-back)/Provision for inventories	261	–	–	261	–	(6,379)	(6,379)
Capital expenditure	1,065	2,108	88,795	91,968	865	13	878

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:

	2007	**2006**
	HK$'000	*HK$'000*
		(Restated)
Continuing operations:		
Hong Kong	3,817	27,938
PRC	572,241	302,836
	576,058	330,774
Discontinued operations:		
PRC	108,237	386,937
	684,295	717,711

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**	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)		(Restated)
Continuing operations:				
Hong Kong	12,832	120,000	10,513	88,795
PRC	386,784	313,039	83,850	3,173
	399,616	433,039	94,363	91,968
Discontinued operations:				
PRC	276,052	1,508,707	23	878
	675,668	1,941,746	94,386	92,846

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 year is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
		(Restated)
Revenue on continuing operations		
Sales of goods	571,809	326,772
Gross rental income	4,249	4,002
	576,058	330,774

6. OTHER INCOME AND FINANCIAL INCOME

		2007	2006
		HK$'000	*HK$'000*
			(Restated)
(a)	Other income on continuing operations		
	Income from sale of scrapped materials	14,599	9,008
	Others	38	751
		14,637	9,759
(b)	Financial income on continuing operations		
	Bank interest income	1,549	934
	Dividend income from financial assets at fair value through profit or loss	374	756
		1,923	1,690

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2007	2006
	HK$'000	*HK$'000*
Continuing operations		
Cost of inventories recognised as expense	468,903	251,462
Depreciation	5,455	5,179
Amortisation of prepaid land lease payments	72	–
Unrealised loss on derivative financial instruments	5,017	–
Minimum lease payments under operating leases in respect of land and buildings	7,236	4,200
Auditors' remuneration	1,200	1,000
Gross rental income	(4,249)	(4,002)
Less: direct operating expenses	787	401
Net rental income	(3,462)	(3,601)
Loss on disposals/write off of property, plant and equipment, net	112	31
Provision for inventories	–	261

8. INCOME TAX EXPENSE

For the year ended 31 December 2007, 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 (2006: 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.

	2007	2006
	HK$'000	*HK$'000*
Continuing operations		
Current tax for the year:		
Hong Kong	951	2,294
PRC	6,217	3,304
Under-provision in respect of prior years	–	2,217
Total income tax expense	7,168	7,815

9. NON-CURRENT ASSETS HELD FOR SALE/ASSETS IN DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

9.1 2007 Discontinued Timber Business

As described in note 1, on 3 December 2007, Seti, a PRC wholly-owned subsidiary within the Group and principally engaged in manufacture and distribution of timber products, entered into the Land Resumption Agreement with the Shenzhen Municipal Government. Pursuant to the Land Resumption Agreement, in 2008, the Shenzhen Municipal Government shall resume the land in Shenzhen that is currently leased to Seti (the "PRC Land") and Seti shall cease its existing production. In this regard, Seti has significantly scaled down its operations in manufacture and distribution of timber products as at 31 December 2007. Details of this transaction have been set out in the Company's 2007 Circular.

According to the Land Resumption Agreement, the Shenzhen Municipal Government shall retain 50% of the PRC Land and shall arrange for the remaining 50% of the PRC Land (the "Auction PRC Land") to be auctioned for sale at an open auction (the "Open Auction") in 2008. The compensation to be paid to Seti by the Shenzhen Municipal Government, as a result of the land resumption, shall be 89.5% of the proceeds of the Auction PRC Land as determined in the Open Auction in 2008 and shall be paid by the Shenzhen Municipal Government to Seti in 60 days after the proceeds from the Open Auction are collected.

As at 31 December 2007, the title of the PRC Land has not yet been passed and Seti is still occupying the PRC Land although the timber operations have been significantly scaled down. Based on the valuation as set out in the 2007 Circular, the value of the PRC Land is significantly higher than the carrying amounts of the property, plant and equipment and prepaid land lease payments as presently recorded in the books of Seti. In the absence of any unforeseen adverse circumstances, no impairment loss is considered necessary by the directors of the Company as a consequence of the land resumption by the Shenzhen Municipal Government.

Currently, there is no plan to deregister Seti when the Open Auction is completed and the proceeds on the Auction PRC Land are collected.

In accordance with the HKFRS 5, the property, plant and equipment and prepaid land lease payments were classified as held for sale in the consolidated balance sheet as their carrying values will be recovered principally through a sale transaction. Other assets and liabilities were retained by Seti and their carrying amounts were not classified as held for sale.

9.2 2006 Discontinued Property Development Business and 2006 Disposal Group

As described in Note 1, on 15 September 2006, a shareholders' resolution was passed to dispose of the entire paid-up capital of the 2006 Disposal Group to Citychamp Dartong Company Limited ("Citychamp") for RMB360,000,000. 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 conditionally agreed to allot and issue 72,720,000 shares (the "Consideration Shares") and paid RMB36,000 to the Group as the consideration. The issue price of the Consideration Shares was RMB4.95 each. Details of this transaction were set out in the Company's 2006 Circular. The disposal of the 2006 Disposal Group was completed on 22 May 2007.

During the year, the 2006 Discontinued Property Development Business carried out by the 2006 Disposal Group is consistently presented as discontinued operations in accordance with HKFRS 5.

9.3 Profit/(loss) for the year from the discontinued operation is analysed as follows:

	2007	**2006**
	HK$'000	*HK$'000*
		(Restated)
Loss of the 2007 Discontinued Timber Business and 2006 Discontinued Property Development Business *(note 9.4)*	(41,240)	(29,612)
Gain on disposals of the 2006 Disposal Group	366,806	–
Profit/(Loss) for the year from the discontinued operations	325,566	(29,612)

9.4 An analysis of the results of the 2007 Discontinued Timber Business and 2006 Discontinued Property Development Business for the year ended 31 December 2007, with the comparatives for illustrative purpose, is as follows:

	2007			**2006 (Restated)**		
	2007 Discontinued Timber Business	**2006 Discontinued Property Development Business**	**TOTAL**	**2007 Discontinued Timber Business**	**2006 Discontinued Property Development Business**	**TOTAL**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	104,887	3,350	108,237	103,984	282,953	386,937
Cost of sales	(95,953)	(9,551)	(105,504)	(116,210)	(267,615)	(383,825)
Gross profit/(loss)	8,934	(6,201)	2,733	(12,226)	15,338	3,112
Other income	4,786	22	4,808	3,436	3,844	7,280
Selling and distribution expenses	(2,751)	(508)	(3,259)	(2,737)	(4,330)	(7,067)
Administrative expenses	(10,021)	(2,899)	(12,920)	(30,372)	(7,087)	(37,459)
Redundancy expense	(26,629)	–	(26,629)	–	–	–
Net surplus on revaluation of investment properties	–	–	–	–	3,183	3,183
Other operating income/(expenses) net	5,814	(276)	5,538	12,353	118	12,471
Operating (loss)/profit	(19,867)	(9,862)	(29,729)	(29,546)	11,066	(18,480)
Financial income	16	77	93	34	1,846	1,880
Finance cost	(11,604)	–	(11,604)	(2,181)	–	(2,181)
(Loss)/Profit before income tax	(31,455)	(9,785)	(41,240)	(31,693)	12,912	(18,781)
Income tax expense						
– current tax	–	–	–	–	(10,213)	(10,213)
– deferred tax	–	–	–	–	(618)	(618)
(Loss)/Profit after income tax	(31,455)	(9,785)	(41,240)	(31,693)	2,081	(29,612)
Operating cash flows	(6,805)	12,340	5,535	(18,464)	(153,956)	(172,420)
Investing cash flows	–	–	–	1,465	732	2,197
Financing cash flows	52,622	117,649	170,271	30,821	32,019	62,840
Total cash inflows/(outflows)	45,817	129,989	175,806	13,822	(121,205)	(107,383)

9.5 An analysis of the non-current assets of the 2007 Discontinued Timber Business classified as held for sale as at 31 December 2007 is as follows:

	HK$
Non-current assets held for sale:	
Property, plant and equipment	150,759
Prepaid land lease payments	50,230
	200,989

At 31 December 2007, certain buildings of the 2007 Discontinued Timber Business with carrying value of HK$84,722,000 (2006: HK$83,738,000), situated in the PRC had been pledged to secure certain banking facilities granted to the Group.

At 31 December 2007, certain prepaid land lease payments of the 2007 Discontinued Timber Business in the PRC with carrying value of HK$43,885,000 (2006: HK$44,495,000), have been pledged to secure certain banking facilities granted to the Group.

9.6 An analysis of the assets and liabilities of the 2006 Discontinued Property Development Business as at 31 December 2006 is as follows:

	HK$
Assets included in disposal group classified as held for sale:	
Property, plant and equipment	8,658
Investment properties	31,900
Properties under development	890,406
Properties held for sale	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 in disposal group classified as held for sale:	
Trade payables	89,773
Deposits received from customers	270,488
Other payables and accruals	58,271
Tax 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

10. EARNINGS/(LOSS) PER SHARE

The calculations of basic earnings/(loss) from continuing and discontinued operations per share are based on the profit from continuing operations attributable to equity holders of the Company of HK$101,641,000 (2006: HK$51,679,000) and the profit from discontinued operations attributable to equity holders of the Company of HK$325,826,000 (2006: loss of HK$29,332,000) and on the weighted average of 1,792,031,000 (2006: 1,548,928,000) ordinary shares in issue during the year.

Diluted earnings/(loss) per share for the years ended 31 December 2007 and 2006 have not been disclosed as no dilutive events existed during the years.

11. TRADE AND BILLS RECEIVABLES

	2007	**2006**
	HK$'000	*HK$'000*
Trade and bills receivables	114,864	157,417
Less: Impairment losses	(70,812)	(66,480)
Trade and bills receivables – net	44,052	90,937

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 (2006: 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.

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. Movement in the provision for impairment of trade and bills receivables is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
At 1 January	66,480	63,924
Impairment loss and allowances charged to the income statement	86	–
Exchange realignment	4,246	2,556
At 31 December	70,812	66,480

At each of the balance sheet date, the Group's trade and bills receivables were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific impairment provision was recognised. The Group does not hold any collateral over these balances.

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

	2007	2006
	HK$'000	*HK$'000*
1 to 3 months	41,914	90,846
4 to 6 months	2,138	40
7 to 12 months	–	51
	44,052	90,937

Ageing analysis of trade receivables that are not impaired is as follows:

	2007	2006
	HK$'000	*HK$'000*
Neither past due nor impaired	41,914	90,846
1 – 90 days past due	2,138	40
91 – 180 days past due	–	51
	2,138	91
	44,052	90,937

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not held any collateral over these balances.

Included in trade receivables are the following amounts (net of impairment losses) denominated in a currency other than the functional currency of the entity to which it relates:

	2007	2006
	RMB'000	*RMB'000*
Renminbi ("RMB")	41,409	90,937

12. TRADE PAYABLES

Ageing analysis of trade payables as at the balance sheet dates is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
0 – 30 days	19,135	45,155
31 – 60 days	14,350	727
61 – 90 days	–	–
Over 90 days	12	801
	33,497	46,683

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

	2007	**2006**
	RMB'000	*RMB'000*
RMB	31,487	46,683

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

FINAL DIVIDEND

The Borad has resolved not to distribute a final dividend for the year ended 31 December 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS

For the year ended 31 December 2007, the Group's revenue (continuing and discontinued operations) amounted to HK$684,295,000, a decrease of HK$33,416,000 over the last year. Gross profit increased by HK$27,464,000 to HK$109,888,000 while net profit attributable to equity holders of the parent company increased by HK$405,120,000 to HK$427,467,000. Earnings per share increased from HK1.45 cents in 2006 to HK23.85 cents in 2007.

(1) Investment in Citychamp Dartong

The transaction in relation to the disposal 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 Co. Ltd. ("Xin Yang") and the issue and allotment of 72,720,000 shares of Citychamp Dartong Company Limited ("Citychamp Dartong") as consideration was completed on 22 May 2007 (" the Asset Transaction"). As a result of the Asset Transaction, the Group recognised a gain on disposal of the discontinued operation of HK$366,806,000 in the income statement for the year ended 31 December 2007.

The Group's initial investments of 72,720,000 shares and the bonus shares of 6,079,392 in Citychamp Dartong was revalued to HK$853,380,000 as at 31 December 2007 and a fair value gain of HK$241,797,000 was recognied in the investment revaluation reserve as at 31 December 2007. During the year under review, the Group recorded dividend income of HK$48,383,000 from Citychamp Dartong which consisted of the dividend income from 6,079,392 bonus shares of HK$47,632,000 and a cash dividend of HK$751,000.

As at 31 December 2007, the Group has appraised the fair value of its holding of 72,720,000 shares and 6,079,392 bonus shares of Citychamp Dartong with reference to various parameters including, inter alia, historical price volatility, closing price on 31 December 2007 and the time prior to expiry of the lock-up period as on 22 May 2010.

On 23 February 2008, Citychamp Dartong announced its results under PRC GAAP for the year ended 31 December 2007. Earnings per share for the year was RMB 0.4, an increase of 54% over last year.

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

(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 not expected to be executed until the second quarter of 2008, the one-off gain from the land resumption will be fully reflected in the 2008 accounts.

(3) Watches and timepieces business

EBOHR, a wholly-owned subsidiary of the Group, achieved satisfactory result in 2007. Revenue was HK$165,327,000, an increase of HK$34,969,000, or 27%, over HK$130,358,000 in 2006, contributing net profit of approximately HK$31,419,000 to the Group.

During 2007, EBOHR participated and implemented a number of unique marketing activities to promote the brand name. The growth of EBOHR was mainly attributable to the innovative product designs, emerging brand recognition, and strong sales network and market development. As at the end of December 2007, there were 25 sales offices in key cities, approximately 300 distribution points and 300 authorized dealers all over the PRC. In 2007, institutional sales and exports accounted for 20% and 1% of total sales respectively.

(4) Enamelled copper wires business

Fuzhou Dartong M&E Co. Ltd. ("Fuzhou Dartong"), a 49% owned jointly controlled entity of the Group contributed revenue and net loss after tax of approximately HK$406,482,000 and HK$705,000 respectively in 2007. Increase in revenue was in line with the expanded production capacity and the established brand reputation.

Jiangsu Dartong M&E Co. Ltd. ("Jiangsu Dartong"), a 25% owned associated company of the Group recorded contributions of approximately HK$2,212,000 in 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, all 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 year under review.

The disposal of the investment property in Hong Kong generated profit of HK$22,853,000 for the year ended 31 December 2007.

FINANCIAL POSITION

(1) Liquidity, financial resources and capital structure

As at 31 December 2007, the Group had non-pledged cash and bank balances of approximately HK$82,362,000 (31 December 2006: HK$234,616,000). Based on the bank loans of HK$112,815,000 (31 December 2006: HK$501,701,000) and shareholders' equity of HK$1,213,374,000 (31 December 2006: HK$537,935,000), the Group's gearing ratio (being loans divided by shareholders' equity) was 9% (31 December 2006: 93%).

As at 31 December 2007, the Group's bank loans amounting to HK$112,815,000 (all bank loans) were repayable within one year.

(2) Charge on assets

(i) Other banking facilities of the Company were secured by the Group's investment properties in Tai Hang Road, Hong Kong with a net book values amounting to approximately HK$12,832,000 as at 31 December 2007.

(ii) Bank loans of HK$26,596,000 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$128,607,000 as at 31 December 2007.

(3) Capital commitments

As at 31 December 2007, the Group had capital commitment of approximately of HK$13,934,000 for the purchase of property, plant and equipment.

(4) Contingent liabilities

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

OUTLOOK

The buoyant of economic growth of the Mainland China in the next few years will augur well for 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, the performance of Citychamp Dartong will flourish and herald significant contribution to the Group in the years to come. Besides, potential real estate development projects currently be identified by the Group will also help drive the long term growth of the Group.

Leveraging on its premier market position and comprehensive sales network, EBOHR has generated increasingly strong revenue and profit by addressing the huge demand for premium products in China. Similarly, Fuzhou Dartong and Jiangsu Dartong have managed to attract more leading local and multinational customers, who are important for the long term profitability.

Recurring profit of the Group will increase gradually driven by the increasing dividends from Citychamp Dartong and the sustained growth of EBOHR, Fuzhou Dartong and Jiangsu Dartong. Increasingly strong profit will be generated from the real estate development business in the near future.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2007, 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 conditions and individual performance. The Group also provides other benefits to its employees, including year-end double pay, medical insurance and retirement benefits, and incentive bonus are offered with reference to the Group's operating results and employees' individual performance. All employees of the Group in Hong Kong have joined the provident fund schemes.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has applied the principles and complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2007, 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 2007.

Details of compliance with the Code will be set out in the corporate governance report in the 2007 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 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. 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 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 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 websites at www.irasia.com/listco/hk/chinahaidian.com and 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, 17 April 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.