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 2012

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 referred to as the "Group") for the year ended 31 December 2012 together with the consolidated statement of financial position of the Group as at 31 December 2012, and the notes with comparative figures for the year ended 31 December 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Continuing operations:			
Revenue	5	**2,240,304**	1,465,276
Cost of sales		**(1,022,583)**	(637,042)
Gross profit		**1,217,721**	828,234
Other income and financial income		**29,182**	21,027
Selling and distribution expenses		**(513,278)**	(343,908)
Administrative expenses		**(351,448)**	(234,144)
Gain on fair value changes in financial assets at fair value through profit or loss, net		**2,056**	10,947
Gain on fair value changes in derivative financial instruments	15	**6,187**	–
Excess of fair value of the net identifiable assets over the cost of acquisition of subsidiaries		**–**	46,904
Net surplus on revaluation of investment properties		**7,525**	5,675
Dividend income from available-for-sale financial assets		**17,169**	6,551
Share of profit of associates		**13,499**	1,991
Loss on disposals of associates		**–**	(4,952)
Finance costs	6	**(14,894)**	(4,331)
Profit before income tax	7	**413,719**	333,994
Income tax expense	8	**(103,432)**	(68,240)
Profit after income tax from continuing operations		**310,287**	265,754
Discontinued operations:			
Profit for the year from discontinued operations	9.2	**–**	16,036
Profit for the year		**310,287**	281,790
Other comprehensive income			
– Exchange gain on translation of financial statements of foreign operations		**16,468**	14,570
– Transfer of exchange fluctuation reserve to profit or loss on disposal of a jointly controlled entity		**–**	(17,496)
– Changes in fair value of available-for-sale financial assets		**601,480**	(305,401)
Other comprehensive income for the year		**617,948**	(308,327)
Total comprehensive income for the year		**928,235**	(26,537)

	Notes	**2012** **HK$'000**	2011 HK$'000
Profit for the year attributable to:			
Owners of the Company		**270,425**	255,874
Non-controlling interests		**39,862**	25,916
		310,287	281,790
Total comprehensive income for the year attributable to:			
Owners of the Company		**887,501**	(54,105)
Non-controlling interests		**40,734**	27,568
		928,235	(26,537)
Earnings per share attributable to owners of the Company during the year	11		
From continuing and discontinued operations			
– Basic		**HK6.39 cents**	HK6.19 cents
– Diluted		**HK6.36 cents**	HK6.11 cents
From continuing operations			
– Basic		**HK6.39 cents**	HK5.80 cents
– Diluted		**HK6.36 cents**	HK5.73 cents
From discontinued operations			
– Basic		**N/A**	HK0.39 cent
– Diluted		**N/A**	HK0.38 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**320,780**	228,939
Investment properties		**100,912**	93,387
Prepaid land lease payments		**39,357**	28,235
Goodwill		**621,382**	621,382
Interests in associates		**58,065**	164
Available-for-sale financial assets		**1,409,176**	807,696
Intangible assets		**149,049**	55,944
Prepayments and deposits		**7,809**	5,290
Deferred tax assets		**1,311**	1,295
		2,707,841	1,842,332
Current assets			
Inventories		**1,587,657**	956,273
Trade receivables	12	**347,366**	244,284
Prepaid land lease payments		**834**	730
Prepayments, deposits and other receivables		**250,652**	175,527
Financial assets at fair value through profit or loss		**106,929**	107,803
Short-term investments	14	**31,234**	–
Cash and cash equivalents		**228,624**	351,276
		2,553,296	1,835,893
Current liabilities			
Trade payables	13	**307,006**	194,448
Other payables and accruals		**352,903**	221,214
Dividend payables		**82,253**	252
Tax payables		**44,059**	41,044
Borrowings		**478,512**	86,171
Derivative financial instruments	15	**40,126**	–
Due to related companies		**159**	157
		1,305,018	543,286
Net current assets		**1,248,278**	1,292,607
Total assets less current liabilities/Net assets		**3,956,119**	3,134,939
EQUITY			
Equity attributable to owners of the Company			
Share capital		**426,806**	413,975
Proposed dividend		**–**	186,289
Reserves		**3,362,215**	2,458,125
		3,789,021	3,058,389
Non-controlling interests		**167,098**	76,550
Total equity		**3,956,119**	3,134,939

1. GENERAL INFORMATION

China Haidian Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. Its registered office address 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 investments

– Distribution of yachts

There were no other significant changes in the Group's operations during the year. The Group's principal places of the business are in Hong Kong and the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules.

2.2 Basis of measurement

The financial statements have been prepared under historical cost convention except for investment properties and financial instruments classified as available-for-sale and at fair value through profit or loss, and derivative financial instruments, which are stated at fair values.

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.

2.3 Functional and presentation currency

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

3. ADOPTION OF HKFRSs

(a) Adoption of new/revised HKFRSs – effective 1 January 2012

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2012:

Amendments to HKFRS 7	Disclosure – Transfer of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

The adoption of the new/revised standards and interpretations has no significant impact on the Group's financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first beginning after the effective date of the pronouncement.

The Group is in the process of making an assessments of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

4. SEGMENT INFORMATION

The chief operating decision-maker is identified as executive directors. The executive directors have identified the Group's product and service lines as operating segments as follows:

(a) manufacture and distribution of watches and timepieces;

(b) property investments; and

(c) distribution of yachts.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

2012

	Watches and timepiece HK$'000	Property investment HK$'000	Yacht HK$'000	Total HK$'000
Segment revenue and income:				
Sales to external customers	**2,225,082**	**15,222**	**–**	**2,240,304**
Other income and financial income	**24,404**	**2,764**	**197**	**27,365**
Total	**2,249,486**	**17,986**	**197**	**2,267,669**
Segment results	**456,935**	**7,735**	**(3,555)**	**461,115**
Unallocated corporate income and expenses, net				**(46,001)**
				415,114
Share of profit of associates				**13,499**
Finance costs				**(14,894)**
Profit before income tax				**413,719**
Income tax expense				**(103,432)**
Profit for the year				**310,287**
Segment assets	**2,780,269**	**157,344**	**52,629**	**2,990,242**
Goodwill				**621,382**
Interests in associates				**58,065**
Available-for-sale financial assets				**1,409,176**
Financial assets at fair value through profit or loss				**106,929**
Short-term investments				**31,234**
Unallocated corporate assets				**44,109**
				5,261,137
Segment liabilities	**640,806**	**39,676**	**–**	**680,482**
Borrowings				**478,512**
Due to related companies				**159**
Derivative financial instruments				**40,126**
Unallocated corporate liabilities				**105,739**
				1,305,018
Other segment information				
Interest income	**6,355**	**2,740**	**–**	**9,095**
Depreciation and amortisation of prepaid land lease payments	**38,036**	**4,389**	**27**	**42,452**
Additions to non-current assets	**232,876**	**12,922**	**–**	**245,798**
Net surplus on revaluation of investment properties	**–**	**7,525**	**–**	**7,525**

2011

	Watches and timepiece HK$'000	Property investment HK$'000	Yacht HK$'000	Total HK$'000
Segment revenue and income:				
Sales to external customers	1,420,168	15,300	29,808	1,465,276
Other income and financial income	10,135	8,075	1	18,211
Total	1,430,303	23,375	29,809	1,483,487
Segment results	336,182	10,182	(5,401)	340,963
Unallocated corporate income and expenses, net				(43,605)
				297,358
Share of profit of associates				1,991
Loss on disposal of an associate				(4,952)
Excess of fair value of the net identifiable assets over the cost of acquisition of subsidiaries				46,904
Finance costs				(4,331)
Equity-settled share-based compensation				(2,976)
Profit before income tax				333,994
Income tax expense				(68,240)
Profit for the year from continuing operations				265,754
Profit for the year from discontinued operations (note 9.2)				16,036
Profit for the year				281,790
Segment assets	1,798,304	100,379	58,781	1,957,464
Goodwill				621,382
Interests in associates				164
Available-for-sale financial assets				807,696
Financial assets at fair value through profit or loss				107,803
Unallocated corporate assets				183,716
				3,678,225
Segment liabilities	396,357	16,861	319	413,537
Borrowings				86,171
Due to related companies				157
Unallocated corporate liabilities				43,421
				548,286
Other segment information				
Interest income	363	–	1	364
Depreciation and amortisation of prepaid land lease payments	16,514	1,613	46	18,173
Additions to non-current assets	113,190	10,268	–	123,458
Net surplus on revaluation of investment properties	–	5,675	–	5,675

Management determines the Group is domiciled in Hong Kong, which is the location of the Group's principal office. The Group's revenues from external customers and its non-current assets (other than available-for-sale financial assets and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers (including continuing and discontinued operations)		**Non-current assets**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (domicile)	**10,872**	30,127	**75,952**	27,766
PRC	**2,131,988**	1,884,801	**1,067,952**	876,534
Europe	**97,444**	55,391	**153,450**	129,041
	2,240,304	1,970,319	**1,297,354**	1,033,341

Geographical location of customers is based on the location at which the goods and services are delivered. For goodwill and intangible assets, geographical location is based on the entities areas of operation. Geographical location of non-current assets is based on the physical location of the asset.

The Group has a large number of customers and there is no significant revenue derived from specific external customers for the year ended 31 December 2012. In 2011, revenue from the Group's largest customer amounted to HK$425,102,000 or 22% of the Group's total revenue (including the continuing and discontinued operations).

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:

	2012	2011
	HK$'000	HK$'000
Continuing operations		
Sales of goods	**2,225,082**	1,449,976
Gross rental income	**15,222**	15,300
	2,240,304	1,465,276

6. FINANCE COSTS

	2012	2011
	HK$'000	HK$'000
Continuing operations		
Interest charged on bank borrowings wholly repayable within five years	**14,894**	4,331

7. PROFIT BEFORE INCOME TAX

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

	2012 HK$'000	2011 HK$'000
Continuing operations		
Cost of inventories recognised as expense	**1,022,583**	637,042
Depreciation	**43,091**	22,057
Amortisation of prepaid land lease payments	**739**	721
Amortisation of intangible assets	**8,576**	1,877
Minimum lease payments under operating leases in respect of land and buildings	**25,708**	18,625
Auditor's remuneration	**1,900**	1,670
Gross rental income	**(15,222)**	(15,300)
Less: direct operating expenses	**2,510**	2,250
Net rental income	**(12,712)**	(13,050)
Exchange loss	**1,914**	2,742
Loss on disposal of associates	**–**	4,952
Loss on disposal of property, plant and equipment	**3,028**	–
Provision for inventories	**1,079**	–

8. INCOME TAX EXPENSE

For both the years ended 31 December 2012 and 2011, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. Subsidiaries established in the PRC are subject to income taxes at tax rates ranging between 15% and 25% (2011: 15% and 25%). Overseas tax is calculated at the rates applicable in the respective jurisdictions.

Under the current general provisions of the PRC Corporate Income Tax Law and published tax circulars, the Group would be subject to PRC withholding tax at the rate of 10% in respect of its PRC sourced income earned, including rental income from properties in PRC and dividend income derived from PRC incorporated company.

	2012		2011	
	Continuing operations HK$'000	**Discontinued operations HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000
Current tax for the year				
PRC	**103,588**	**–**	68,104	879
Europe	**101**	**–**	–	–
(Over)/Under-provision in respect of prior years				
PRC	**(257)**	**–**	136	–
Total income tax expense	**103,432**	**–**	68,240	879

9. DISCONTINUED OPERATIONS

9.1 Discontinued Enamelled Copper Wires Business

On 6 January 2011, the Company entered into an agreement to dispose of its 49% equity interest in its jointly controlled entity, namely Fuzhou Dartong Machinery and Electronic Company Limited ("Fuzhou Dartong"). The disposal was completed in June 2011. The manufacture and distribution of copper wires business of Fuzhou Dartong was referred to as the Discontinued Enamelled Copper Wire Business hereinafter.

9.2 An analysis of the Group's results of the Discontinued Enamelled Copper Wire Business for the year ended 31 December 2011 is as follows:

	2011 HK$'000
Revenue	505,043
Cost of sales	(489,238)
Gross profit	15,805
Other income and financial income	568
Selling and distribution expenses	(1,905)
Administrative expenses	(4,394)
Finance costs – interest on bank borrowings wholly repayable within five years	(5,439)
Profit before income tax	4,635
Gain on disposal of Fuzhou Dartong	12,280
Income tax expense	(879)
Profit for the year	16,036

10. DIVIDENDS

10.1 Dividend attributable to the year

	2012 **HK$'000**	2011 HK$'000
Interim dividend of HK1 cent per share (2011: HK1 cents)	**42,681**	41,404
Proposed final dividend (note)	**–**	186,289
	42,681	227,693

Note: The directors do not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: recommended final dividend of HK4.5 cents per share). For the year ended 31 December 2011, the final dividend declared after the reporting date had not been recognised as a liability at the reporting date, but reflected as an appropriation of retained profits and share premium.

10.2 Dividend attributable to the previous financial year, approved and paid during the year

	2012 HK$'000	2011 HK$'000
Final dividend in respect of the previous financial year, of HK4.5 cents per share (2011: HK3.5 cents)	**192,000***	145,044

* The amount of actual final 2011 dividend paid was HK$192,000,000 as a result of the issue of 126,917,000 (2011: 54,055,000) new ordinary shares during the year, as a consequence of acquisition of an intangible asset and an associate and exercise of share options before the closure of members' register on 3 July 2012. All these ordinary shares newly issued are entitled to the final 2011 dividend.

11. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share attributable to the owners of the Company are based on the following data:

Earnings	2012 HK$'000	2011 HK$'000
Profit attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share:		
Continuing operations	**270,425**	239,838
Discontinued operations	**–**	16,036
Total profit from continuing and discontinued operations	**270,425**	255,874

Number of shares	2012 Number of shares '000	2011 Number of shares '000
Weighted average number of shares for the purpose of calculating basic earnings per share	**4,232,782**	4,132,582
Effect of dilutive potential shares:		
– share options issued by the Company	**21,691**	55,232
Weighted average number of shares for the purpose of calculating diluted earnings per share	**4,254,473**	4,187,814

12. TRADE 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 one to two months (2011: one to two months) for major 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 wide range of customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	2012 **HK$'000**	2011 HK$'000
1 to 3 months	**319,787**	219,731
4 to 6 months	**24,760**	20,310
Over 6 months	**2,819**	4,243
	347,366	244,284

13. TRADE PAYABLES

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

	2012 **HK$'000**	2011 HK$'000
1 to 3 months	**289,235**	154,151
4 to 6 months	**8,353**	17,253
Over 6 months	**9,418**	23,044
	307,006	194,448

14. SHORT-TERM INVESTMENTS

As at 31 December 2012, the Group had short-term investments of HK$31,234,000 (RMB25,300,000 equivalent) with a major bank in the PRC, of which an amount of HK$18,518,000 (RMB15,000,000 equivalent) has no maturity and an amount of HK$12,716,000 (RMB10,300,000 equivalent) is redeemeable in January 2013. For the balance with no maturity, the Group is entitled to redeem the investments from the bank anytime. The estimated return from these short-term investments ranged from 4.4% to 5.73% per annum. The accrued and unpaid interest will be received upon redemption of the investment from the bank. The directors of the Company consider that the carrying value of short-term investments approximate their fair value at end of the reporting period as it is highly liquid and credit risk involved is insignificant. The Group did not have any short-term investments as at 31 December 2011.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	2012	2011
	HK$'000	HK$'000
Financial undertakings provided by the Group in relation to issuance of ordinary shares for:		
– Acquisition of intangible assets (note a)	**23,452**	–
– Acquisition of an associate (note b)	**16,674**	–
	40,126	–

Notes:

(a) During the year, the Group has completed the acquisition of certain intangible assets, including supplier and distribution networks from a joint venture partner in the PRC at a consideration of RMB51,000,000. The purchase consideration was settled as to RMB6,500,000 by cash and as to RMB44,500,000 by issue and allotment of 54,527,631 ordinary shares ("Consideration Shares for Intangible Assets") of the Company. Pursuant to the terms of the acquisition agreement, the Group has provided financial undertaking to compensate the vendor the shortfall in cash if the average selling price of the Consideration Shares for Intangible Assets disposed of by the vendor within the 12-month period from the expiration of the respective lock-up periods is less than HK$1.

(b) During the year, the Group has completed the acquisition of an associate, Fair Future Industrial Limited, at a consideration of HK$56,000,000. The purchase consideration was settled by issue and allotment of 56,000,000 ordinary shares ("Consideration Shares for Associate") of the Company. Up to 31 December 2012, 23,000,000 ordinary shares have been issued to the vendor, and 15,000,000 and 18,000,000 ordinary shares will be issued to the vendor in January 2013 and February 2014 respectively. Pursuant to the terms of the acquisition agreement, the Group has provided another financial undertaking to compensate the vendor the shortfall in cash if the average selling price of the Consideration Shares for Associate disposed of by the vendor within the 12-month period from the expiration of the respective lock-up periods is less than HK$1.

The aforementioned financial undertakings meet the definition of derivatives in accordance with HKAS 39. The value of the financial undertakings will change in response to changes in the share price of the Company's shares. There are no initial net investments and they are settled at a future date. In these regards, the financial undertakings are accounted for as derivative financial instruments, which are designated as financial liabilities at fair value through profit or loss. The fair value gain of the derivative financial instruments during the year amounted to HK$6,187,000 (2011: Nil), which has been recognised in profit or loss for the year.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

For the year ended 31 December 2012, the Group's revenue amounted to HK$2,240,304,000, an increase of HK$269,985,000 over 2011 (including continuing and discontinued operations). Similarly, gross profit increased by HK$373,682,000 to HK$1,217,721,000 while net profit attributable to owners of the Company increased by HK$14,551,000 to HK$270,425,000 over the last year.

Revenue from watches and timepieces segment was HK$2,225,082,000, representing an increase of HK$804,914,000 or 57% over 2011. Similarly, net profit after tax from watches and timepieces segment was HK$311,495,000, representing an increase of HK$23,986,000 or 8% from HK$287,509,000 over the last year.

BUSINESS REVIEW

Zhuhai Rossini Watch Industry Ltd. ("Rossini") and EBOHR Luxuries International Limited ("EBOHR") are becoming more dominant leaders in the domestic watch-making industry. They manage to build significant competitive advantages to discourage new entrance and gain market shares over weaker players. As such, they were major growth drivers that collectively account for 62% of the Group's revenue.

After laying strong foundation for growth through a series of strategic acquisitions in Mainland China and overseas in last two years, the Group has put into tremendous efforts in developing those subsidiaries and affiliated companies during 2012. The management and operation of Eterna was strengthened and the sale revenue of Eterna improved. Most of the distribution companies expanded distribution networks and increased revenue. They have enhanced the leading positions of the Group in selected provinces and cities such as Chongqing, Beijing, Guangdong, Liaoning, Jilin, Henan and in Mainland China as a whole. At the same time, all production companies extended product lines, widened the customer base and increased revenue. Collectively, through different subsidiaries and affiliated companies in Mainland China and overseas, the Group achieved a relatively wider revenue base than the last year.

(1) Watches and timepieces – proprietary brands

The Group has built a sophisticated vertically integrated business model that equips the Group with an effective and tight control over the entire value chain, from product design and development, raw materials and component procurement, manufacturing of mechanical movement, assembling, inventory management, distribution, marketing to after-sales services in Mainland China and overseas. Such integrated model enables us to monitor and control the quality of our products effectively and respond quickly to our customers' needs and preferences. It also allows more operational flexibility, better product diversity in terms of styles and functionalities and deeper market penetration. The speed that the Group can adjust the product mix is a great competitive advantage. Besides, this total value chain approach avoids the specific risk encountered by specific segment of the value chain; this sophisticated vertically integrated business model sets us apart from our peers, and enables us to further improve our profitability. In the long term, it is the intention of the Group to own a few more proprietary brands with vertically integrated business models that are able to contribute increasingly strong revenue and profit.

Eterna Group

Eterna Group is composed of Eterna AG Uhrenfabrik ("Eterna"), Eterna Movement AG ("Eterna Movement'), Eterna Uhbren Gmbh and Eterna (Asia) Limited ("Eterna (Asia)"). Eterna focuses on manufacturing and distribution of Eterna and Porsche Design in areas other than Asia, while Eterna (Asia) focuses on distribution of Eterna and Porsche Design watches in Asia.

Eterna is also licensed to manufacture and distribute Porsche Design watches. Eterna watches are distributed through independent points of sales and agencies while the Porsche Design watches are distributed through points of sales and self-owned/franchised shops all over the world.

Eterna Movement is able to manufacture its own mechanical movement, comprising manual, automatic, with and without date, and chronograph functionalities. It is the objective of Eterna Movement to establish itself as a fully integrated watch manufacturer, and produce key components as well as completed movements, both in-house and to the third party brands. The caliber 38 which achieved qualification in 2011 has been exclusively equipped in the new watch model and presented at Basel World 2012. Leveraging on the success of caliber 39 that has also achieved qualification in 2012, Eterna Movement expects to achieve qualification of the modular caliber 39 incorporating chronograph functionalities in 2013. Modular mechanical movement can be easily modified to include additional features, such as date, tourbillion and chronograph functionalities, with relatively simple process and at relatively competitive cost. The ability to produce mechanical movement serves as a key competitive advantage for the Group.

To be always on top of expertise, Eterna has built a new modern training centre for watchmakers and will start with education courses for partners all over the world so that they can learn Eterna products and their related technicalities. Besides, Eterna has strengthen the after sale service, the quality control, new product development and mechanical movement departments.

Eterna has made important steps on the global distribution in 2012, particularly in countries such as the US, Brazil, Columbia and Mexico. There are discussions of distribution agreements with potential partners. As of 31 December 2012, there were 294 distribution outlets for Eterna watch (251 in 2011), of which 260, 8, 10 and 16 were in Europe, America, Asia and Middle East respectively. There were 512 distribution outlets for Porsche Design watch (528 in 2011), of which, 365, 80, 31 and 36 were in Europe, America, Asia and Middle East respectively.

Eterna (Asia) has established over 7 distribution outlets in Hong Kong and 1 distribution outlet in Fuzhou, Mainland China and 1 distribution outlet in Japan. At the same time, Porsche Design has its first boutique in Hong Kong, its first boutique in Mainland China and its first boutique in Korea. Asia, especially Mainland China and Hong Kong, would be the areas of focus for the network development. It is expected to open significant number of distribution outlets in Mainland China and Hong Kong in the near future to cater for the increasing demand for Swiss-made watches.

Eterna focuses on three product segments, namely: mechanical watches with Eterna movement, mechanical watches with purchased movement and quartz watches. New products from those three segments have been developed and presented to the market during the Basel World 2012. In addition, new marketing campaigns for branding and strategic marketing including sponsorships, joint promotions and exhibitions have been launched in 2012 in Europe, Hong Kong and Mainland China. For Instance, Eterna teamed up with Southampton Football Club in England, sponsored Eterna Cup 2012 Tour of Fuzhou, a 300km international cycling race, launched TV commercials on CCTV, the largest TV network in Mainland China and advertised in leading MTR stations in Hong Kong. As a result, Eterna would be able to attract a wide range of customers, especially in Mainland China.

Eterna Group contributed revenue and net loss after tax of approximately HK$98,285,000 and HK$69,275,000 respectively. The net loss was due to the new product development cost incurred for the Basel World in March 2012, new market development cost and incremental operating cost. Given the increasingly strong revenue being generated from Hong Kong, Mainland China and overseas, Eterna is expected to achieve breakeven within a couple of years.

Zhuhai Rossini Watch Industry Ltd.

Zhuhai Rossini Watch Industry Ltd. ("Rossini"), a 91% subsidiary of the Group, achieved impressive result in 2012. Revenue in 2012 was HK$725,910,000, an increase of HK$177,181,000, or 32%, from HK$548,729,000 in 2011. Net profit after tax that attributable to owners of the Company in 2012 was HK$200,729,000 compared with HK$162,553,000 in 2011, an increase of HK$38,176,000, or 23%.

During the year, Rossini has increased its number of distribution outlets by 439 to 1,911 (1,220 outlets through department stores, 685 outlets through authorised dealers and 6 boutiques). The growth outlook for distribution outlets is promising as Rossini watches are appropriate for the market of Mainland China.

The new production and office facilities started operation in August 2012 which provides functions such as product R&D centre, central laboratory, technical centre, production and marketing management, enterprise management, etc. It not only provides additional production capacity to cater for the increased demand but also raises the quality of production that meets recognized standards such as ISO9001, ISO14001 and OHSAS18001. The facilities are a key competitive advantage, supporting Rossini to sustain its leading position in Mainland China. Furthermore, the watch museum, being an integral part of the facilities, which demonstrates, among others, 16 special pieces of Chinese historic time measurement machine, attracts tourists in excess of 14,000 during the first four months from Zhuhai, South China and Mainland China as a whole and provides customer flow for sale of watches within the distribution outlet inside the facilities. The distribution outlet inside the facilities, specially equipped to cater for the tourists' sale, is an exceptional channel that sets us apart from our peers, and enables us to generate tremendous recurring revenue at limited operating costs.

Internet sales was growing strongly in the year, accounting for HK$29,161,000, 4% of total revenue. Unique product lines, that are different than those available in the physical distribution outlets, are developed for Internet sales. While the Internet sale is a powerful tool to extend the customer reach targeting the group of younger customers aged 18 to 25, it is considered complementary to the sales from physical distribution outlets and expected to grow significantly. The customer consumption data and feedback from the Internet sale is also useful for generating revenue from physical distribution outlets.

Rossini invested greater efforts in the training of sales and administrative staff. Rossini identified coach internally and externally to provide the relevant trainings so as to improve the selling and service expertise and management expertise of the staff.

With additional human resources and capital expenditure allocated into the design, Rossini's new product lines, namely the sport series and the double tourbillion series, attract not only increasingly strong customer base but also a growing number of national, provincial and city awards for their designs and quality.

Rossini has been awarded China's 500 Most Valuable Brands and Asia's 500 Most Influential Brands of the year 2012 by the World Brand Laboratory. Rossini is the only watch company from Mainland China that obtains the latter award for the last five years and the value of the brand is the highest among all the local watches brands. Rossini has also been awarded one of China's Top 100 Fashion Brands by China Trends Summit in March 2012 and listed as one of the Pilot Sites for Brand Cultivation in China.

Rossini continues to benefit from a high-quality growth profit, the strong track record and leading market position in the watch industry. Rossini continues to offer a business model with products presented in all price segments and with continued expansion in the Mainland China market.

EBOHR Group

EBOHR Group is composed of EB Brand Limited, EBOHR Luxuries International Limited ("EBOHR"), PAMA Precision Manufacturing Limited and Swiss Chronometric AG.

EBOHR Group achieved impressive result in 2012. Revenue in 2012 was HK$671,654,000, an increase of HK$181,244,000, or 37%, from HK$490,410,000 last year. Net profit after tax in 2012 was HK$167,585,000, compared with HK$101,515,000 in 2011, an increase of HK$66,070,000, or 65%.

During the year, there was an increase of 299 distribution outlets. The total number of distribution outlets as of 31 December 2012 was 1,722 (1,123 outlets through department stores, 597 through authorized dealers and 2 boutiques). Such expansion was particularly relevant to the increased demand for EBOHR watch in Mainland China cities.

Internet sales increased to HK$46,803,000 in 2012 from HK$20,633,000 in 2011 and its proportion of total revenue to 7% in 2012 from 4% in 2011. EBOHR put efforts in developing brand awareness among Internet users by expanding the online presence through popular social media and hence generated increasingly strong Internet sales.

Promotion events organized by the regional sale manager and head quarters proved to be effective. Celebrity endorsement is effective for KANA, a sub-brand of EBOHR, as KANA targets younger customers who are generally more appeal to celebrities.

EBOHR put into significant efforts into watch design, investing into the design team in the Mainland China and utilizing the resources from Switzerland. Creative, attractive and stylish product design is one of the core competencies of EBOHR. The design team is keeping track on customers' tastes and the fast-changing trends in Mainland China. With additional product lines introduced, EBOHR streamlined the existing product lines so that it could focus on the performing product lines and thus more effectively monitored the inventory level. In addition to the product lines for the mass market, EBOHR focused on watches with gold case, exclusive mechanical movement and Nano coating.

EBOHR has been awarded China's 500 Most Valuable Brands of the year 2012 by the World Brand Laboratory.

Swiss Chronometric AG, a subsidiary 100% owned by the Group through EBOHR, manufactures and distributes Codex watches in Switzerland. Self-owned distribution outlets in both Lucerne of Switzerland and Shanghai of Mainland China were in operation. On 24 April 2012, the self-owned flagship boutique was officially opened in Shanghai; it was an event well attended by the relevant industry practitioners and widely reported in the relevant leading media. Coupled with continued brand marketing, Codex is now gaining increasingly strong recognition in Mainland China. Revenue for the distribution outlet in Lucerne increased as it has cooperated with a number of travel agencies to generate stronger tourist demand.

(2) Watches and timepieces – non-proprietary brands

Since the establishment of Shenzhen Permanence Commerce Co., Ltd. ("Permanence"), the Group has been keen to develop more market share in distribution of non-proprietary brands in different provinces and cities such as Guangdong, Chongqing, Beijing, Liaoning, Jilin and Henan. Through the watch distribution companies, the Group collectively owns around 350 brand image retail shops and distribution outlets, distributing over 25 local and international brands and spanning over 15 provinces nationwide. The revenue is expected to continue to increase due to favorable government policies, continuous economic growth, rapid urbanization, increased disposable income and most importantly, increasing demand for luxury goods.

These distribution companies not only provide additional distribution network for the Group's proprietary watches but also generate revenue from the distribution of other well-known local and foreign brands. They particularly cater the rising demand for a wider range of domestic and international watches.

Except for Permanence that is 100% owned, all distribution companies are 51% owned by the Group. These distribution companies are different in the products they distribute and in the cities they focus on. Collectively, they contributed revenue and net profit after tax that attributable to owners of the Company of HK$659,741,000 (2011: HK$338,143,000) and HK$25,268,000 (2011: HK$13,312,000) respectively. Revenue and net profit after tax increased in line with the expanded product range and distribution network.

They developed leading boutiques for well known Swiss watch brands such as IWC, Jaeger-Lecoultre, Longines and Tissot; distributed leading Swiss and Japanese watch brands such as Cartier, Enicar, Ernest Borel, Longines, Mido, Omega, Rado, Titoni, Tissot,Tudor, Casio and Citizen, through the leading department stores; and set up maintenance centre for various imported watches. Besides, those distribution companies were also engaged in the distribution of watches from Rossini, EBOHR, Eterna, Porsche Design and Codex. The differentiation strategy with larger stores and more international brand products and promotion activities by leading celebrities was important to generation of revenue.

(3) Watches and timepieces – production

The Group has the capability to produce mechanical movement ranging from basic mechanical movement to tourbillon and fashion watch on an OEM basis for leading global brands at a competitive cost.

Guangzhou Five Goat Watch Company Limited

Guangzhou Five Goat Watch Company Limited ("Five Goat"), a 78% owned subsidiary of the Group, was established in March 2012. It is engaged in the manufacture and distribution of mechanical movement and watches and owns two watch brands, namely, Guangzhou and Dixmont. Five Goat has worked to improve production equipment, quality of mechanical movement and additional market for mechanical movement. Moreover, Five Goat puts efforts into development of tourbillion. In the medium term, Five Goat would provide the Group with steady supplies of components at a competitive cost. Besides, Five Goat developed 14 new watches, of which 10 were designed by a leading Swiss watch design firm and 4 were developed by the in-house designers, and developed distribution outlets for watch. Five Goat distributes its proprietary brand watches through 11 distribution outlets in Guangdong, Mainland China. Five Goat contributed revenue, of which 95% from mechanical movement and 5% from watch, and net profit after tax of approximately HK$69,492,000 and HK$7,172,000 respectively in 2012.

Fair Future Industrial Limited

Fair Future Industrial Limited ("Fair Future"), a 25% owned associate of the Group, is engaged in the manufacture of watches and accessories of watches for a well-known Japanese brand on an OEM basis. Creative and stylish design is one of the core competences of Fair Future. With a design team in excess of 30 professionals well exposed to the changing consumer behavior in the world, Fair Future has made product portfolios that are well received by the OEM customers. Coupled with good quality control, Fair Future is well positioned for sustainable development.

The Group shared 25% profit from April 2012 to December 2012 after the completion of acquisition in March 2012, contributing HK$13,499,000 net profit after tax to the Group. During the year, the Group has received dividend income of HK$11,250,000 in cash from Fair Future. Such dividend income was recognized as a decrease in the Group's interests in associates.

(4) Investment in Citychamp Dartong

The Group received cash dividend of HK$17,169,000 and 65,246,000 bonus shares from Citychamp Dartong Company Limited ("Citychamp Dartong") during the year. On 18 March 2013, Citychamp Dartong announced its results under PRC GAAP for the year ended 31 December 2012. The consolidated profit was RMB861,742,000 (2011: RMB824,438,000), in which RMB830,837,000 (2011: RMB795,815,000) was attributable to owners of Citychamp Dartong.

Given the recently published directives by Shanghai Stock Exchange, all listed companies are required to distribute certain percentage of their earnings as dividend. The cash dividend from Citychamp Dartong is expected to increase in line with the earnings of Citychamp Dartong.

As the lock-up period was expired on 22 May 2010, the Citychamp Dartong shares were considered to be marketable securities with a value of HK$1,409,097,000 as at 31 December 2012.

(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 Mainland China, 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. During the year, these investment properties generated rental income of HK$5,515,000 (2011: HK$5,367,000).

(6) Motor yacht

Chart Victory Limited ("Chart Victory"), a 100% owned subsidiary of the Group, principally engaged in distribution of yachts in Hong Kong. In order to focus on the watch business, Chart Victory will consider to terminate the yacht distribution business. During the year, Chart Victory incurred net loss after tax of approximately HK$3,556,000 (2011: HK$6,390,000). Net loss is expected to decrease further following the disposals and/or transfer of the remaining motor yachts in the short term.

FINANCIAL POSITION

(1) Liquidity, financial resources and capital structure

As at 31 December 2012, the Group had non-pledged cash and bank balances of approximately HK$228,624,000 (2011: HK$351,276,000). Based on the bank borrowings of HK$478,512,000 (2011: HK$86,171,000) and shareholders' equity of HK$3,789,021,000 (2011: HK$3,058,389,000), the Group's gearing ratio (being borrowings divided by shareholders' equity) was 13% (2011: 3%).

As at 31 December 2012, the Group's bank borrowings amounted to HK$478,512,000 and all were repayable within five year.

(2) Charge on assets

Banking facilities of the Company were secured by the Group's certain properties in Hong Kong and Switzerland with net book values amounting to approximately HK$69,777,000 as at 31 December 2012.

(3) Capital commitments

As at 31 December 2012, the Group had a capital commitment of HK$37,335,000 (2011: HK$119,721,000) in respect of the purchase of intangible assets to a joint venture Company in the PRC, namely Henan Jinjue Enterprise Company Limited.

FINANCIAL REVIEW

(1) Gross profit

Gross profit was HK$1,217,721,000, an increase of 44% from HK$844,039,000 last year. Before making adjustments for intra-group transactions, Rossini contributed gross profit of HK$507,845,000 while EBOHR contributed gross profit of HK$487,233,000.

(2) Selling and distribution expenses

Total selling and distribution expenses was HK$513,278,000, an increase of 48% from HK$345,813,000 last year. Such increase was in line with the increase in revenue. Rossini contributed selling and distribution expenses of HK$198,914,000, while EBOHR contributed selling and distribution expenses of HK$195,192,000.

(3) Administrative expenses

Total administrative expenses was HK$351,448,000, an increase of 47% from HK$238,538,000 last year. Such increase was in line with the increase in revenue of Rossini, EBOHR, Eterna and distribution companies. Eterna incurred part of the administrative expenses, for example, development costs incurred for the Basel World in March 2012, new market development cost and incremental operating cost to lay a strong foundation for future growth. Rossini, EBOHR Group, and Eterna Group contributed administrative expenses of HK$52,971,000, HK$82,586,000 and HK$72,208,000, respectively.

(4) Net profit attributable to owners of the Company

Net profit attributable to owners of the Company was HK$270,425,000, an increase of 6% from HK$255,874,000 last year. Before making adjustments for intra-group transactions, Rossini contributed net profit of HK$200,729,000 while EBOHR Group contributed net profit of HK$167,585,000.

(5) Inventory

Inventory was HK$1,587,657,000, an increase of 66% from HK$956,273,000 in last year. Rossini, EBOHR Group and Eterna Group contributed inventory of HK$277,156,000, HK$467,110,000 and HK$292,781,000 respectively. Majority of inventory is composed of finished watch with age shorter than 12 months.

There are two major reasons for the considerable increase in inventory. Firstly, there was a significant increase of number of distribution outlets. Apart from replenishment of existing sales network, additional inventory would also be required for new distribution outlets in the pipeline. Secondly, in order to activate the development of Eterna, relatively more watches have been produced but have not been sold to ultimate customers yet, contributing to higher level of inventory.

As the Group has initiated measures to enhance sales efficiency at distribution outlet level and overall inventory management, it is expected that the level of inventory would be gradually in line with revenue generated in the medium term.

OUTLOOK

The global economic and political uncertainties persisted in 2012. The unclear economic and geopolitical backdrop will continue to raise challenges and cast shadows over the next year. The markets remain skeptical about the fiscal policies adopted by world leaders for the recovery of the global economy. In Mainland China, following on the meeting at the State Council meeting on May 23, 2012, the Central People's Government would put "maintaining growth" at a more important level. It is expected that the Government would consider to take more stimulus measures to revive domestic growth with an objective to boost domestic consumption and stabilize external demand. Notwithstanding the global economic and political uncertainties, Mainland China is more likely to weather any further deterioration better than the western countries and is likely to continue acting as a major global growth engine.

In spite of great challenges, we believe there are opportunities ahead. With the strong brands with relatively long history, product development expertise, distribution control, and relatively large size, the Group is well positioned to enjoy the consumption boom in Mainland China driven by an expanding middle class. These positive factors serve to reinforce the Group's leading market position in Mainland China. Expansion of distribution network in different provinces to capture the untapped market remains one of the most appealing strategies of the Group.

Our strategic plan for 2013 remains unchanged. While we consider developing proprietary brands our top priority, we will develop the distribution of non-proprietary brands, covering more products and expanding distribution outlets. The Group would keep on identifying and evaluating opportunities and undertake mergers, acquisitions and alliances deals that are in the best interests of the shareholders.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2012, the Group had approximately 4,000 full-time staff in Hong Kong and Mainland China. The remuneration packages offered to the employees were determined and reviewed on an arm's length basis with reference to the market condition and individual performance. The Group also provides other benefits to its employees, including year-end double pay, medical insurance and retirement benefits, and incentive bonus are offered with reference to the Group's operating results and employees' individual performance. All employees of the Group in Hong Kong have joined the provident fund schemes. Employees of Group's subsidiaries in Mainland China also participate in social insurance scheme administrated and operated by local authorities and contributions are made according to the local laws and regulations.

FINAL DIVIDEND

The Board has resolved not to distribute a final dividend for the year ended 31 December 2012 (year ended 31 December 2011: HK4.5 cents per share).

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 2012, 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 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Having made specific enquiry with all 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 accounting year covered by this annual report.

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 2012.

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.

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") on 26 March 2012 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, 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. Mr. Hon Kwok Lung has been appointed as the chairman of the Nomination Committee.

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.

SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The annual results announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's websites at www.irasia.com/listco/hk/chinahaidian and www.chinahaidian.com in due course.

APPRECIATION

I would like to express my deep appreciation to my fellow Board members for their guidance, constructive contributions and support. I would like to also thank the directors of our subsidiaries and associated companies for their strong governance, and for their guidance in establishing our Group's strategic direction.

By Order of the Board
China Haidian Holdings Limited
Hon Kwok Lung
Chairman

Hong Kong, 26 March 2013

As at the date of this announcement, the Board comprises Mr. Hon Kwok Lung, Mr. Shang Jianguang, Mr. Shi Tao, Mr. Lam Toi Man, Mr. Bi Bo and Ms. Sit Lai Hei as the executive Directors; and Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael and Mr. Li Qiang as the independent non-executive Directors.