CHINA HAIDIAN HOLDINGS LIMITED
中國海澱集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 256)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

INTERIM RESULTS

The board of directors (the "Board") of China Haidian Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2013 together with comparative figures for the corresponding period in 2012.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**1,302,942**	959,089
Cost of sales		**(630,957)**	(427,314)
Gross profit		**671,985**	531,775
Other income and financial income		**27,505**	11,307
Selling and distribution expenses		**(307,875)**	(217,012)
Administrative expenses		**(215,322)**	(170,873)
Loss on fair value changes in financial assets at fair value through profit or loss, net		**(16,714)**	(6,708)
Dividend income from available-for-sale financial assets		**30,965**	17,169
Gain on disposal of available-for-sale financial assets	*10*	**327,763**	–
Gain on fair value changes in derivative financial instruments		**1,625**	4,038
Finance costs	*5*	**(14,660)**	(4,378)
Share of profits of associates		**6,433**	4,880
Profit before income tax	*6*	**511,705**	170,198
Income tax expense	*7*	**(89,860)**	(50,407)
Profit for the period		**421,845**	119,791

	Notes	Six months ended 30 June 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss:			
– Exchange gain on translation of financial statements of foreign operations		**15,982**	14,788
– Transfer of investment revaluation reserve to profit or loss on disposal of available-for-sale financial assets	10	**(244,312)**	–
– Changes in fair value of available-for-sale financial assets		**217,940**	388,825
Other comprehensive income for the period		**(10,390)**	403,613
Total comprehensive income for the period		**411,455**	523,404
Profit for the period attributable to:			
Owners of the Company		**403,386**	100,148
Non-controlling interests		**18,459**	19,643
		421,845	119,791
Total comprehensive income for the period attributable to:			
Owners of the Company		**391,364**	502,840
Non-controlling interests		**20,091**	20,564
		411,455	523,404
Earnings per share attributable to owners of the Company during the period	9		
– Basic		**HK 9.35 cents**	HK 2.39 cents
– Diluted		**HK 9.32 cents**	HK 2.34 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	**30 June 2013 HK$'000 (Unaudited)**	31 December 2012 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**345,685**	320,780
Investment properties		**100,912**	100,912
Prepaid land lease payments		**39,605**	39,357
Goodwill		**621,382**	621,382
Interests in associates		**64,500**	58,065
Available-for-sale financial assets		**1,152,529**	1,409,176
Intangible assets		**179,204**	149,049
Prepayments and deposits		**2,325**	7,809
Deferred tax assets		**1,328**	1,311
		2,507,470	2,707,841
Current assets			
Inventories		**1,656,667**	1,587,657
Trade receivables	11	**431,695**	347,366
Prepaid land lease payments		**840**	834
Prepayments, deposits and other receivables		**443,505**	250,652
Financial assets at fair value through profit or loss		**91,622**	106,929
Short-term investments		**53,125**	31,234
Cash and cash equivalents		**591,967**	228,624
		3,269,421	2,553,296

	Notes	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Current liabilities			
Trade payables	12	**292,191**	307,006
Other payables and accruals		**364,556**	352,903
Dividend payables		**36,772**	82,253
Tax payables		**50,955**	44,059
Borrowings		**596,880**	478,512
Derivative financial instruments		**59,918**	40,126
Due to related companies		**161**	159
		1,401,433	1,305,018
Net current assets		**1,867,988**	1,248,278
Total assets less current liabilities/Net assets		**4,375,458**	3,956,119
EQUITY			
Equity attributable to owners of the Company			
Share capital		**432,095**	426,806
Reserves		**3,764,388**	3,362,215
		4,196,483	3,789,021
Non-controlling interests		**178,975**	167,098
Total equity		**4,375,458**	3,956,119

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2013

1. BASIS OF PREPARATION

This unaudited interim financial information ("The Unaudited Interim Financial Information") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure provisions in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Unaudited Interim Financial Information is 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.

The Unaudited Interim Financial Information for the six months ended 30 June 2013 was approved for issue by the board of directors on 22 August 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Unaudited Interim Financial Information has been prepared in accordance with the accounting policies and method of comparatives used in the annual financial statements of the Company for the year ended 31 December 2012 (the "2012 Annual Financial Statements"), except for the adoption of the new or amended Hong Kong Financial Reporting Standards ("HKFRSs"), which include individual HKFRSs, HKAS and Interpretations ("Int"). The adoption of these new and revised HKFRSs has had no material impact on the Group's financial statements. The Group has not early adopted any new HKFRSs that have been issued but are not yet effective. The Unaudited Interim Financial Information should be read in conjunction with the 2012 Annual Financial Statements.

3. 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 are as follows:

(a) manufacture and distribution of watches and timepieces;

(b) property investment; and

(c) distribution of yacht.

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

Inter-segment sales are charged at prevailing market prices.

	Six months ended 30 June 2013			
	Watches and timepieces *HK$'000* **(Unaudited)**	**Property investment** *HK$'000* **(Unaudited)**	**Yacht** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Segment revenue and income:				
Sales to external customers	**1,294,828**	**8,114**	**–**	**1,302,942**
Other income and financial income	**24,614**	**1,794**	**–**	**26,408**
Total	**1,319,442**	**9,908**	**–**	**1,329,350**
Segment results	**229,303**	**1,071**	**(1,135)**	**229,239**
Unallocated corporate income and expenses, net				**(37,070)**
Share of profit of an associate				**6,433**
Gain on disposal of available-for-sale financial assets				**327,763**
Finance costs				**(14,660)**
Profit before income tax				**511,705**
Income tax expense				**(89,860)**
Profit for the period				**421,845**

3. SEGMENT INFORMATION *(CONTINUED)*

	Six months ended 30 June 2012			
	Watches and timepieces *HK$'000* (Unaudited)	Property investment *HK$'000* (Unaudited)	Yacht *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Segment revenue and income:				
Sales to external customers	951,834	7,255	–	959,089
Other income and financial income	9,815	1,084	25	10,924
Total	961,649	8,339	25	970,013
Segment results	187,983	4,318	(1,523)	190,778
Unallocated corporate income and expenses, net				(21,082)
Share of profit of an associate				4,880
Finance costs				(4,378)
Profit before income tax				170,198
Income tax expense				(50,407)
Profit for the period				119,791

Management determines the Group is domiciled in Hong Kong, which is the location of the Group's principal office. Over 90% of the Group's revenues from external customers are attributable to a single geographical region, which is the People's Republic of China ("PRC").

4. REVENUE

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sale of goods	**1,294,828**	951,834
Gross rental income	**8,114**	7,255
	1,302,942	959,089

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interests on borrowings wholly repayable within five years	**14,660**	4,378

6. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation	**19,720**	14,421
Amortisation of prepaid land lease payments	**370**	365

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (Six months ended 30 June 2012: Nil).

The operation in the PRC is subject to income taxes ranging between 15% and 25% (Six months ended 30 June 2012: between 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 5% to 10% in respect of its PRC sourced income earned, including rental income from properties in PRC and dividend income derived from PRC incorporated company.

8. DIVIDENDS

8.1 Dividends attributable to the interim period were as follows:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim dividend	**–**	42,667

The directors do not recommend the payment of an interim dividend for the period ended 30 June 2013 (Six months ended 30 June 2012: Interim dividend of HK 1 cent per share). For the period ended 30 June 2012, the interim dividend declared after the reporting date had not been recognised as a liability at the reporting date, but reflected as an appropriation of share premium.

8. DIVIDENDS *(CONTINUED)*

8.2 Dividends attributable to the previous financial year and approved during the period were as follows:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Final dividend in respect of the previous financial year	**–**	192,000

No final 2012 dividend was recommended (Six months ended 30 June 2012: Final 2011 dividend of HK4.5 cents per share). The amount of actual final 2011 dividend payable was HK$192,000,000 as a result of the issue of 126,917,000 new ordinary shares during the period ended 30 June 2012, 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 of these ordinary shares newly issued were entitled to the final 2011 dividend.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share:	**403,386**	100,148

9. EARNINGS PER SHARE *(CONTINUED)*

	Number of shares	
	Six months ended 30 June	
	2013	2012
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**4,315,844**	4,197,783
Effect of dilutive potential ordinary shares:		
– share options issued by the Company	**11,727**	76,363
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**4,327,571**	4,274,146

10. GAIN ON DISPOSAL OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

On 13 June 2013, the Group has completed the disposal of 58,600,000 shares of Citychamp Dartong Company Limited (referred to as the "Citychamp Shares") at a cash consideration of HK$558,040,000 (RMB441,487,000 equivalent). Details of the completion of the disposal of Citychamp Shares are set out in the Company's announcement dated 17 June 2013. A gain of HK$327,763,000 was recognised in the profit or loss for the six months ended 30 June 2013 and analysed as follows:

	HK$'000
	(Unaudited)
Proceeds from disposal of Citychamp Shares	**558,040**
Less: Carrying amount of Citychamp Shares at the date of disposal	**(474,589)**
Add: Release of investment revaluation reserve upon disposal	**244,312**
Gain on disposal of Citychamp Shares	**327,763**

11. 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 (31 December 2012: 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.

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

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
1 to 3 months	**378,690**	319,787
4 to 6 months	**35,748**	24,760
Over 6 months	**17,257**	2,819
	431,695	347,366

12. TRADE PAYABLES

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

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
1 to 3 months	**277,456**	289,235
4 to 6 months	**9,075**	8,353
Over 6 months	**5,660**	9,418
	292,191	307,006

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

The Group achieved substantial revenue and profit growth in the first half of 2013.

For the six months ended 30 June 2013, the Group recorded an unaudited revenue of approximately HK$1,302,942,000 (Six months ended 30 June 2012: HK$959,089,000), an increase of HK$343,853,000 or 36% compared with the corresponding period last year. Gross profit for the period was approximately HK$671,985,000 (Six months ended 30 June 2012: HK$531,775,000), an increase of HK$140,210,000 or 26% compared with the corresponding period last year. Net profit after tax for the period was approximately HK$421,845,000 (Six months ended 30 June 2012: HK$119,791,000), an increase of HK$302,054,000 or 252% compared with the corresponding period last year.

The segment result for watches and timepieces was HK$229,303,000 for the period ended 30 June 2013 (Six months ended 30 June 2012: HK$187,983,000), representing an increase of HK$41,320,000 or 22% compared with the corresponding period of last year. Gain on disposal of the Citychamp Dartong shares also contributed to the significant increase in net profit. Net asset value per share was HK$1.01 as at 30 June 2013 (31 December 2012: HK$0.93).

Business Review

Capitalizing on their wide range of quality products and the increasingly comprehensive distribution network all over Mainland China, both Rossini and EBOHR generated increasingly strong recurring income from the established watch market for the general public and developed additional income from selectively targeted market segments. On the whole, Rossini and EBOHR achieved stable profit contribution to the Group despite a slightly weakening Mainland China economy.

With the new products introduced in the Basel World in April 2013, branding and strategic marketing conducted in Mainland China, Hong Kong and overseas and distribution outlets developed during 2013, and most importantly, the appointments of senior managers, Eterna's performance started to regain momentum.

The acquisition of the Corum Group (As announced in the Company's circular dated 24 June 2013), making a new milestone in the Group's global investment journey, will expand the Group's product portfolio and broaden its revenue source. Corum's expertise in the design of sophisticated movements and luxury watches will enhance the Group's technology know-how and capability in those aspects, especially in the high-end luxury watch segment.

Most of the distribution companies expanded distribution networks and increased revenue. At the same time, all production companies extended product lines, widened the customer base and increased revenue.

(1) Watches and timepieces – proprietary brands

The Group has built a sophisticated vertically integrated business model that equipped the Group with an effective and tight control over the entire value chain, from raw materials and component procurement, product design and development, manufacturing of mechanical movement, assembling, inventory management, distribution to marketing 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 better market penetration. The speed that the Group can adjust the product mix is a great competitive advantage. Such business model essentially sets us apart from our peers, and enables us to further improve our profitability in the medium term.

Zhuhai Rossini Watch Industry Ltd.

Zhuhai Rossini Watch Industry Ltd. ("Rossini"), a 91% subsidiary of the Group, achieved impressive result in the first half of 2013. Revenue in the first half of 2013 was HK$447,279,000, an increase of HK$81,168,000, or 22%, from HK$366,111,000 for the same period last year. Net profit after tax attributable to owners of the Company for the first half of 2013 was HK$139,930,000 compared with HK$111,793,000 for the same period last year, an increase of HK$28,137,000, or 25%.

During the period, Rossini has increased its number of distribution outlets by 177. The total number of distribution outlets as of 30 June 2013 was 2,088 (1,301 through department stores, 781 through authorized dealers and 6 boutiques), covering 31 provinces, autonomous regions and municipalities. The growth outlook for distribution outlets is promising as Rossini watches offer product diversity in terms of design and style to attract Chinese consumers with different tastes and preferences, through which Rossini watches are able to reach a wide range of consumers across different economic and age groups. At the meanwhile, Rossini adjusts certain product lines for the areas where the economic growth is faster than the average national growth, to ensure that Rossini could capture the relatively strong market potential in those areas and dominate the competition.

To further build up the brand, additional outdoor advertisement was placed in six leading high-speed train lines, such as those between Beijing and Shanghai and between Beijing and Guangzhou, covering 9 provinces and 43 cities. More quality trainings were provided to sale staff especially those in the new distribution outlets. Continuous new product development was conducted to maintain the brand awareness; new products were based on the market surveys on those target customers to ensure their success.

Internet sales was growing strongly in the period, accounting for HK$26,401,000, representing approximately 6% of total revenue and an increase of 176% of the corresponding period last year. 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 to generating revenue from physical distribution outlets.

During the period, the watch museum in the headquarters attracted 925 groups, totalling around 20,000 tourists and generating revenue of over HK$4,123,000 from the showrooms in the headquarters. Rossini would put stronger efforts in attracting tourists and generating the relevant revenue.

Rossini has been awarded China's 500 most valuable brands, with brand value at RMB5.2 billion ranking the 1st in the watch industry of Mainland China, of the year 2013 by the World Brand Laboratory.

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 present in all price segments, strong pricing power and with continued expansion in the regional footprint.

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 2013. Revenue for the first half of 2013 was HK$334,648,000, an increase of HK$41,425,000, or 14%, from HK$293,223,000 for the same period last year. Net profit after tax for the first half of 2013 was HK$83,089,000, compared with HK$61,141,000 for the same period in 2012, an increase of HK$21,948,000, or 36%.

During the period, there was an increase of 149 distribution outlets. The total number of distribution outlets as of 30 June 2013 was 1,871 (1,225 outlets through department stores and 646 through authorized dealers). Such expansion would be particularly relevant to the increased demand for EBOHR watch.

EBOHR also revised the remuneration structure for sale staff so that they are motivated to sell more aggressively. The fixture and fittings in the distribution outlets were upgraded to generate more customer flow.

Internet sales increased to HK$26,462,000 for the first half of 2013 from HK$19,841,000 for the same period in 2012 and its respective proportion of total revenue to 8% from 7%. EBOHR put efforts in developing brand awareness among Internet users by expanding the online presence through popular online shopping platform and hence generated increasingly strong Internet sale.

EBOHR now owns three brands, namely EBOHR, KANA and EC. 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 a few product lines such as watches with gold case, exclusive mechanical movement, and Nano coating, watches focusing on lady executives and big watches for gentlemen.

EBOHR has been awarded China's 500 most valuable brands of the year 2013 by the World Brand Laboratory with brand value at RMB3.5 billion. EBOHR also received various provincial and city awards for its brand and achievement.

Swiss Chronometric AG, a subsidiary 100% owned by the Group through EBOHR, manufactures and distributes Codex watches in Switzerland. Coupled with continued brand marketing, Codex is now gaining increasingly strong recognition in Lucerne and Mainland China. Revenue increased but administrative expenses decreased for the period as Swiss Chronometric AG streamlined the Swiss operation. Loss for the period was HK$3,583,000 compared with HK$14,965,000 for the same period last year.

Eterna Group

Eterna Group is composed of Eterna AG Uhrenfabrik ("Eterna"), Eterna Movement AG, Eterna Uhren GmbH, Kronberg 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 own/franchised shops all over the world.

Leveraging on the success of caliber 39 that has also achieved qualification in 2012, Eterna 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, tourbillon and chronograph functionalities, with relatively simple process and at relatively competitive cost. The cooperation between Eterna's mechanical movement production capability with that of Corum serves as a key competitive advantage for the Group.

Eterna (Asia) has established 14 distribution outlets in Hong Kong and Macau, 3 distribution outlets in Mainland China and 1 distribution outlet in Taiwan at the same time, Porsche Design had 7 distribution outlets in Hong Kong and Macau, 2 in Mainland China and 6 in other Asian countries. 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 operating entities and distribution outlets in Mainland China and Hong Kong in the near future to cater for the increasing demand for Swiss-made watches. There should be synergy arising from the cooperation of global distribution of Eterna watches and Corum 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 Fair 2013. In additions, new marketing campaigns for branding and strategic marketing including sponsorships, joint promotions and exhibitions have been launched in 2013 in Europe, Hong Kong and Mainland China. For instance, Eterna sponsors KonTiki movie in Switzerland, teams up with Southampton Football Club in England, sponsors Eterna Cup, a golf tournament in Beijing, places advertisement in inflight magazines such as CAAC and local popular newspapers and magazines, launches TV commercials on CCTV, the largest TV network in Mainland China and advertises in leading MTR stations in Hong Kong and other carefully selected prime locations. As a result, Eterna would be able to attract a wide range of customers, especially in Mainland China and Hong Kong. Similarly, Porsche Design sponsored high end events such as The Extravaganza Haitang Bay 2013 and 2013 Seoul Motor Show.

Eterna Group contributed revenue and net loss after tax of approximately HK$26,281,000 (Six months ended 30 June 2012: HK$21,437,000) and HK$80,002,000 (Six months ended 30 June 2012: HK$56,246,000) for the six months ended 30 June 2013 respectively. Net loss was due to the new product development cost, new market development cost, incremental operating cost, development cost for mechanical movement, and in particular promotional and advertising cost incurred for the branding and strategic marketing activities conducted in Mainland China, Hong Kong and overseas. 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.

Corum Group

Pursuant to the Share Purchase Agreement signed on 23 April 2013, the Group acquired 100% equity interest of Montres Corum Sàrl and its subsidiaries (referred to as "Corum Group"). The consideration was determined to be CHF28,400,000 (equivalent to approximately HK$235,700,000). On 9 July 2013, the Group allotted and issued consideration shares equivalent to CHF39,000,000 (equivalent to approximately HK$323,700,000). On the same day, the Group paid cash of CHF31,000,000 (equivalent to approximately HK$257,300,000) and issued promissory notes of totalling CHF16,000,000 (equivalent to approximately HK$132,800,000) as loans to the Corum Group. The sum of the consideration shares and loans was CHF86,000,000 (equivalent to approximately HK$713,800,000).

The Corum Group is principally engaged in the development, manufacture and sale of Swiss luxury timepieces through its global distribution network with its history dating back to its origin in 1924. It owns a renowned Swiss elite luxury watch brand, Corum, together with a proprietary portfolio of innovative and technical movements. Its technical craftsmanship and non-traditional designs are especially well reflected in its original and unique in-line baguette shaped movements, which are housed in four-sided transparent cases to highlight the innovative mechanisms. It sells its watches through an exclusive global distribution network of eight premier branded boutiques and approximately 600 high-end, independent specialty retailers in over 90 countries.

The acquisition provides an opportunity for the Group to acquire a renowed Swiss elite luxury watch brand. With its exceptional design and mechanical movement that are complementary to the existing products and markets of the Group, it is strategically important for the sustainable development of the Group. Compared with existing products of the Group, the average selling price of the Corum watches is relatively higher, its market are global in nature and its channels of distribution are through international distributors. Therefore, the addition of the Corum brand will expand the Group's product portfolio and broaden its revenue source. Furthermore, the Corum's expertise in the design of sophisticated movements and luxury watches will enhance the group's technology know-how and capability in those aspects. The ability of Corum to develop and manufacture its unique movements enables the Group to enter into the high-end luxury watch segment.

Following the establishment of the Codex brand in 2009 and acquisition of the Eterna brand in 2011, the Group acquires the Corum Group for its focus on manufacturing and distributing top-end products and serving top-end markets. The Corum brand is complementary to Codex and Eterna brands, both of which focus on the mid-range products and markets. The Corum brand is also complementary to Rossini and EBOHR brands, both of which focus on products for the mass markets in Mainland China. Furthermore, the Courm brand provides the opportunity for distribution companies to not only expand their distribution network, but also extend product lines, widen customer base and most importantly increased revenue.

Leveraging on the Group's existing expertise and resources of extensive channels of distribution in Mainland China, Corum is expected to be able to quickly build its own channels of distribution in Mainland China and benefit from the enormous potential of the Mainland China's imported watch market.

The Group completed the acquisition of Corum on 9 July 2013 and hence the Corum Group had no financial impact on the Group in the period under review.

In July 2013, the Swiss Chamber of Commerce honored the Company with the award named "the Most Successful Deal in Switzerland 2013 Special Recognition" acknowledging the Company in successfully completing the acquisition of Corum, establishing itself in Switzerland and having made a meaningful contribution to the Swiss economy.

(2) Watches and timepieces – non-proprietary brands

Since the establishment of Shenzhen Permanence Commerce Co., Limited ("Permanence"), the Group has been keen to develop more market share in distribution of non-proprietary brands in different provinces and cities. Through the watch distribution companies, which have around 300 self-owned brand image retail shops and distribution outlets, the Group distributed over 25 international brands in Beijing, Chongqing, Fujian, Guangdong, Henan, Jilin, Liaoning, Shenyang, Sichuan, and other leading cities.

As our management teams of the distribution companies are talented professionals with substantial knowledge and contacts, these distribution companies are well poised to expand the network of distribution in catering for the insatiable demand for luxury branded products in their designated territories.

The revenue is expected to continue to increase due to favorable government policies such as continuous import duties reduction, continuous economic growth, rapid urbanization, increased disposable income and most importantly, increasing demand for luxury goods.

Except for Permanence that is 100% owned, all other distribution companies are 51% owned by the Group. All distribution companies are different in the products they distribute and in the cities they focus. Collectively, they contributed revenue and net profit after tax for the first half of 2013 of HK$441,718,000 (30 June 2012: HK$238,331,000) and HK$7,930,000 (30 June 2012: HK$7,472,000) respectively. Revenue and net profit after tax increased in line with the expanded product range and distribution network.

(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 OEM basis for leading global brands at competitive cost.

Guangzhou Five Goat Watch Company Limited

Guangzhou Five Goat Watch Company Limited ("Five Goat"), a 78% owned subsidiary of the Group, is engaged in the manufacture and distribution of mechanical movement and watch 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 produced more than 500 tourbillon movements in the first half. Five Goat contributed revenue, of which 95% from mechanical movement and 5% from watches, and net profit after tax of approximately HK$37,662,000 (Six months ended 30 June 2012: HK$32,285,000) and HK$3,935,000 (Six months ended 30 June 2012: HK$3,636,000) respectively in the first half of 2013.

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-competence 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 and cost control, Fair Future is well positioned for sustainable development.

Fair Future contributed net profit after tax for the first half of 2013 of HK$6,433,000 (Six months ended 30 June 2012: HK$4,880,000). Net profit after tax increased in line with the expanded product range offered.

(4) Investment in Citychamp Dartong Company Limited ("Citychamp Dartong")

During the period, the Group received cash dividend of HK$30,965,000 from Citychamp Dartong, i.e. cash dividend of RMB2.12 for every 10 shares (Six months ended 30 June 2012: HK$17,169,000). 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, in which RMB830,837,000 was attributable to owners of Citychamp Dartong.

On 13 June 2013, 58,600,000 shares of Citychamp Dartong were disposed and the Group generated gain on disposal of HK$327,763,000. As at 30 June 2013, there were 115,389,058 shares of Citychamp Dartong with a market value of HK$1,152,448,000 owned by the Group.

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.

(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 period under review. During the period, these investment properties generated rental income of HK$2,900,000 (Six months ended 30 June 2012: HK$2,752,000).

(6) Motor yacht

In order to focus on the watch business, Chart Victory Limited ("Chart Victory") will consider to terminate the motor yacht distribution business. During the period, Chart Victory incurred net loss after tax of approximately HK$1,135,000 (30 June 2012: HK$1,523,000). Net loss is expected to decrease if the remaining motor yachts are disposed.

Financial Position

(1) Liquidity, financial resources and capital structure

As at 30 June 2013, the Group had non-pledged cash and bank balances of approximately HK$591,967,000 (31 December 2012: HK$228,624,000). Based on the borrowings of HK$596,880,000 (31 December 2012: HK$478,512,000) and shareholders' equity of HK$4,196,483,000 (31 December 2012: HK$3,789,021,000), the Group's gearing ratio (being loans divided by Shareholders' equity) was 14% (31 December 2012: 13%).

As at 30 June 2013, part of the Group's borrowing amounting to HK$23,770,000 were repayable over one year and the remaining balances amounted to HK$573,110,000 were repayable within one year.

On 14 June 2013, the Company executed an agreement with Fujian Fengrong Investment Co., Ltd. ("Fengrong") in respect of a financial guarantee of RMB300,000,000 provided by Fengrong in favour of a bank for a loan facility granted to the Group of CHF42,000,000. The financial guarantee provided by Fengrong covered a 3-year period from 27 June 2013 to 26 June 2016, and secured by 72,000,000 ordinary shares of Citychamp Dartong owned by Fengrong. Fengrong shall pay an annual guarantee fee of RMB4,500,000 to the bank and the Group will fully reimburse Fengrong all the guarantee fees and other direct expenses related to the financial guarantee totalling RMB14,000,000 in three years as they incurred during the guarantee period. Ms. Sit Lai Hei, a director of the Company, is also a director and a beneficial owner of Fengrong. The Group has not utilised any of the aforementioned loan facility as of 30 June 2013.

(2) Charge on assets

Banking facilities of the Company were secured by the Group's certain properties in Hong Kong and Switzerland with carrying amounts totalling approximately HK$57,916,000 as at 30 June 2013 (31 December 2012: HK$61,223,000).

(3) Capital commitments

As at 30 June 2013, there was capital commitments related to the acquisition of the Corum Group amounting to HK$235,700,000.

Financial Review

(1) Gross profit

Gross profit was HK$671,985,000, an increase of 26% from HK$531,775,000 for the same period last year. Before making adjustments for intra-group transactions, Rossini contributed gross profit of HK$312,108,000 while EBOHR Group contributed gross profit of HK$244,367,000.

(2) Selling and distribution expenses

Total selling and distribution expenses was HK$307,875,000, an increase of 42% from HK$217,012,000 for the same period last year. Such increase was in line with the increase in revenue. Rossini, EBOHR Group and Eterna Group contributed selling and distribution expenses of HK$102,264,000, HK$104,651,000 and HK$38,325,000 respectively.

(3) Administrative expenses

Total administrative expenses was HK$215,322,000, an increase of 26% from HK$170,873,000 for the same period last year. Rossini, EBOHR Group and Eterna Group contributed administrative expenses of HK$28,712,000, HK$30,920,000 and HK$53,175,000 respectively.

(4) Net profit attributable to owners of the Company

Net profit attributable to owners of the Company was HK$403,386,000, an increase of 303% from HK$100,148,000 for the same period last year. Rossini contributed net profit attributable to owners of the Company of HK$139,930,000 while EBOHR Group contributed net profit attributable to owners of the Company of HK$83,089,000.

(5) Inventories

Inventories were HK$1,656,667,000, an increase of 4% from HK$1,587,657,000 in last year. The rate of increase in inventory was relatively lower than the rate of increase in revenue. Rossini, EBOHR Group, Eterna Group and Ruihuang (Chongqing) Watch Co., Ltd. contributed inventory of HK$288,795,000, HK$474,069,000, HK$289,500,000 and HK$144,293,000 respectively.

There are two reasons for the increase in inventory. Firstly, there was a significant increase of number of directly managed 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 and production of new products, especially in the cases of EBOHR and Eterna, relatively more watches are 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.

(6) Amortisation of intangible assets

Total amortisation of intangible assets was HK$6,532,000 (Six months ended 30 June 2012: HK$3,755,000).

OUTLOOK

There is an old Chinese saying: "the beginning is the hardest". We have had a solid start for our strategic plan by acquiring proprietary brands, Eterna and Corum, and establishing distribution companies. Essentially, we leverage our financial resources to acquire product, expertise and market presence. There is a long journey ahead before we reach our destination and enjoy the full benefits of our endeavours. Externally, the market uncertainty brought by the global economic and geopolitical backdrop and Europe's sovereign debt problems continues to raise challenges and cast shadow in the near future. The Central People's Government continues to commit to stabilize growth as a top priority. It is expected that more growth-stabilizing policies would be adopted to maintain domestic growth with an objective to boost domestic consumption so as to compensate for the decrease in export and eventually maintain the growth rate at 7.5% p.a. Notwithstanding the global and political uncertainties, Mainland China is more likely to weather any further deterioration better than the western countries.

On the Mainland China macroeconomic perspective, the steady economic growth, the continuous urbanization and most directly, the increased disposable income and consumption also contributed to the future satisfactory performance of Rossini, EBOHR, Eterna, and Corum and of distribution companies.

It is expected that the performance of the Eterna and Corum will improve in the future as the market recognition of the high brand value of Eterna and Corum increases following the investments on product development, marketing and advertising strategies and restructuring of its brand building strategy during the previous years. The expected expansion of presence in the Mainland China market will also help Eterna and Corum capture the enormous potential of the Mainland China's imported watch market.

The Group will remain focused on executing the various initiatives under the strategic plan of developing both proprietary brands and non-proprietary brands. The Group would continue the impressive organic growth through product, market and distribution development, leveraging on our ample financial resources. These multiple strategic moves to achieve a balanced portfolio in a prudent manner are expected to drive significant growth in the years to come.

With the view that the investments we have made are crucial to our long-term competitiveness, we are well-prepared to counter any hiccups and perform with great agility so as to bring sustainable returns to our shareholders.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2013, the Group had approximately 3,000 full-time staff in Hong Kong, Mainland China and Europe. 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.

FOREIGN EXCHANGE RISK

Majority of the Group's sales and purchases are mainly denominated in RMB. Since the Group's bank borrowings are also mainly denominated in RMB and the Group has retained surplus funds in those currencies, such foreign exchange exposure is immaterial and could be effectively monitored. Certain portions of the Group's sales and purchases and loans are denominated in Swiss Franc. They are immaterial and could be effectively monitored.

DIVIDEND

The directors have resolved not to distribute an interim dividend for the six months ended 30 June 2013 (Six months ended 30 June 2012: HK1 cent per share).

CODE OF CORPORATE GOVERNANCE PRACTICES

During the period from 1 January 2013 to 31 March 2013 and from 1 April 2013 to 30 June 2013, the Company has complied respectively with all the code provisions of the "Code on Corporate Governance Practices" and "Corporate Governance Code", as set out in Appendix 14 to the "Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" (the "Listing Rules"), except with the details disclosed below:

Code E.1.2

Code E.1.2 stipulates that the Chairman of the board of directors should attend the annual general meeting of the Company. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 15 May 2013 due to his business trip outside Hong Kong.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2013.

REMUNERATION COMMITTEE

The remuneration committee (the "RC") currently comprises three independent non-executive directors, Mr. Fung Tze Wa (the Chairman of the Committee), Dr. Kwong Chun Wai, Michael and Mr. Li Qiang, Executive Director and Chairman of the Board, Mr. Hon Kwok Lung and Executive Director and Chief Executive Officer, Mr. Shang Jianguang.

The majority of the RC members are independent non-executive directors. The RC makes recommendations to the board on the Company's policy and structure for all directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. The RC also makes recommendations to the board on the remuneration packages of individual executive directors and senior management. The RC ensures that no director or any of his/her associates is involved in deciding his/her own remuneration.

AUDIT COMMITTEE

The audit committee (the "AC") 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 AC reviewed the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the unaudited interim financial information for the six months ended 30 June 2013. The audit committee also reviewed and commented internal audit reports of subsidiaries and associates and adequacy of resources, qualifications, experience and training of staff engaged in the accounting and financial report function.

NOMINATION COMMITTEE

On 26 March 2012, the Company established a nomination committee (the "NC"). The NC comprises the three independent non-executive directors, Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael and Mr. Li Qiang, Mr. Hon Kwok Lung and Mr. Shang Jianguang. Mr. Hon Kwok Lung has been appointed as the chairman of the NC. The terms of reference of the NC have been included on the Stock Exchange's website and the Company's website.

The majority of the NC members are independent non-executive directors. The principal duties of the NC are to review the structure, size and composition of the board, identify and nominate individuals suitably qualified to become board members and make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors. The NC is also responsible for assess the independence of independent non-executive directors.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the period under review.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The interim 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

Our financial performance and strategic moves reflected the joint efforts of the Board and management in successfully pursuing our mission to be one of the leaders in the watch industry of Mainland China. I would like to express my deep gratitude to our employees, customers, suppliers, bankers, professional consultants, business partners, and shareholders for their support.

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

Hong Kong, 22 August 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.