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 2008

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 2008 together with the consolidated balance sheet of the Group as at 31 December 2008, and the notes with comparative figures for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Continuing operations:			
Revenue	5	**865,304**	576,058
Cost of sales		**(696,597)**	(468,903)
Gross profit		**168,707**	107,155
Other income	6(a)	**25,136**	19,362
Selling and distribution expenses		**(78,518)**	(54,708)
Administrative expenses		**(99,009)**	(66,021)
(Loss)/Gain on fair value changes in financial assets at fair value through profit or loss, net		**(36,968)**	24,629
Net surplus on revaluation of investment properties		**9,348**	10,178
Dividend income from available-for-sale financial assets		**73,624**	48,383
Gain on disposals of an investment property		**–**	22,853
Operating profit		**62,320**	111,831
Financial income	6(b)	**1,662**	1,923
Finance costs	7	**(8,637)**	(7,157)
Share of profit of an associate		**241**	2,212
Profit before income tax	8	**55,586**	108,809
Income tax expense	9	**(16,082)**	(7,168)
Profit after income tax from continuing operations		**39,504**	101,641
Discontinued operations:			
Profit for the year from discontinued operations	10	**251,812**	325,566
Profit for the year		**291,316**	427,207
Attributable to:			
Equity holders of the Company		**290,213**	427,467
Minority interests		**1,103**	(260)
Profit for the year		**291,316**	427,207
Dividends	11	**88,551**	–
Earnings per share from continuing operations attributable to equity holders of the Company	12		
Basic		**HK1.78 cents**	HK5.67 cents
Diluted		**N/A**	N/A
Earnings per share from discontinued operations attributable to equity holders of the Company	12		
Basic		**HK11.66 cents**	HK18.18 cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**159,147**	125,394
Investment properties		**69,606**	60,258
Prepaid land lease payments		**20,742**	10,227
Goodwill		**621,382**	–
Interests in associates		**34,582**	31,484
Available-for-sale financial assets		**413,010**	853,380
Prepayments and deposits		**84,360**	2,394
Deferred tax assets		**1,207**	1,130
		1,404,036	1,084,267
Current assets			
Inventories		**217,949**	142,026
Trade and bill receivables	*13*	**103,651**	44,052
Prepaid land lease payments		**444**	210
Prepayments, deposits and other receivables		**469,323**	87,277
Financial assets at fair value through profit or loss		**29,059**	44,178
Cash and cash equivalents		**62,340**	82,362
		882,766	400,105
Non-current assets held for sale		**116,893**	200,989
		999,659	601,094
Current liabilities			
Trade payables	*14*	**86,318**	33,497
Other payables and accruals		**150,469**	95,767
Tax payables		**61,992**	13,188
Derivative financial instruments		**7,588**	5,017
Borrowings		**147,779**	112,815
Due to related companies		**256,288**	209,311
		710,434	469,595
Net current assets		**289,225**	131,499
Total assets less current liabilities		**1,693,261**	1,215,766
Non-current liabilities			
Borrowings		**25,614**	–
Net assets		**1,667,647**	1,215,766
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**354,203**	179,203
Proposed final dividend		**88,551**	–
Reserves		**1,216,946**	1,034,171
		1,659,700	1,213,374
Minority interests		**7,947**	2,392
Total equity		**1,667,647**	1,215,766

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. GENERAL INFORMATION

China Haidian Holdings Limited (the "Company") is a limited liability company incorporated and domiciled 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 investment

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

To broaden and increase the Group's income stream and its market share in the watch and timepiece markets in the People's Republic of China (the "PRC"), on 20 August 2008, the Company entered into an agreement with Mr. Hon Kwok Lung ("Mr. Hon"), the chairman and executive director of the Company, and Full Day Limited, an investment holding company beneficially wholly-owned by Mr. Hon to acquire the entire issued share capital of Jia Cheng Investment Limited ("Jia Cheng") (the "Acquisition"). Jia Cheng is an investment holding company with an indirect 91% equity interest, held through its wholly owned subsidiary, Actor Investments Limited ("Actor"), in the issued share capital of Zhuhai Rossini Watch Industry Ltd. ("Rossini"). Rossini is principally engaged in manufacture and distribution of watches in the PRC. Details of the Acquisition have been set out in the Company's circular dated 12 September 2008. The Acquisition was completed on 15 October 2008.

On 3 December 2007, Seti Timber Industry (Shenzhen) Co., Ltd. ("Seti"), a wholly-owned subsidiary of the Group established in the PRC, entered into a land resumption agreement with the Shenzhen Municipal Government (the "Land Resumption Agreement"). Seti was principally engaged in manufacture and distribution of timber products in Shenzhen in the PRC. Pursuant to the Land Resumption Agreement in 2008, the Shenzhen Municipal Government resumed a piece of the land in Shenzhen that was leased to Seti and Seti had ceased its production operations. In this regard, Seti significantly scaled down its operations in manufacture and distribution of timber products (the "2007 Discontinued Timber Business") in 2007. Details of this transaction were set out in the Company's circular dated on 24 December 2007.

On 15 September 2006, a shareholders' resolution was passed to dispose of the entire paid-up capital of two subsidiaries, namely Beijing Jing Guan Property Development Company Limited ("Jing Guan") and Beijing Xin Yang Property Development Company Limited ("Xin Yang") (which is 80% owned by Jing Guan). Jing Guan and Xin Yang were both incorporated in the PRC and are principally engaged in the property development (the "2006 Discontinued Property Development Business"). Details of this transaction were set out in the Company's circular dated on 30 August 2006. The disposals of the 2006 Discontinued Property Development Business were completed on 22 May 2007. Jing Guan and Xin Yang are together referred to as the "2006 Disposal Group" hereafter.

As the 2007 Discontinued Timber Business carried out by Seti and the 2006 Discontinued Property Development Business carried out by the 2006 Disposal Group represented components of the Group's business, the operations and cash flows of which could be clearly distinguished from the rest of the Group and which represented separate major lines of businesses, the Group presented, in its financial statements, the operations of the 2007 Discontinued Timber Business and the 2006 Discontinued Property Development Business as discontinued operations in accordance with HKFRS 5. Further details regarding the 2007 Discontinued Timber Business and the 2006 Discontinued Property Development Business are set out in note 10 to the financial statements.

Other than the Acquisition as described above, there were no significant changes in the Group's operations during the year. The Group's principal places of the business are in Hong Kong and the PRC.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") of which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int")) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). They also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rule Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). They have been prepared under the 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 value. 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 indicated.

It should be noted that accounting estimates and assumptions are used in the 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.

3. ADOPTION OF NEW AND AMENDED HKFRSs

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 2008:

HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HKAS 39 and HKFRS 7 (Amendment)	Reclassification of Financial Assets

The adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKAS 1 (Revised)	Presentation of Financial Statement[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statement[2]
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[2]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK (IFRIC) – Int 2	Members' Shares in Co-operative Entities and Similar Instruments[1]
HK (IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK (IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK (IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK (IFRIC) – Int 17	Distributions of Non-Cash Assets to Owners[2]
HK (IFRIC) – Int 18	Transfers of Assets from Customers[5]
Various	Annual Improvements to HKFRSs 2008[6]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for transfers received on or after 1 July 2009
6 Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS.

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

Amongst these new standards and interpretations, HKAS 1 (Revised) Presentation of Financial Statements is expected to materially change the presentation of the Group's financial statements. These amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). These amendments do not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 Operating Segments may result in new or amended disclosures. The directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

4. **SEGMENT INFORMATION**

Primary reporting format – business segments

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) manufacture and distribution of watches and timepieces;

(b) manufacture and distribution of enamelled copper wires (carried out by the Group's jointly controlled entity); and

(c) property investment.

Manufacture and distribution of timber products, carried out by the 2007 Discontinued Timber Business as mentioned in note 1, have been classified as discontinued operation for the year (note 10) since 2007.

Inter-segment sales are charged at prevailing market prices.

2008

	Continuing operations				Discontinued operations
	Watches and timepieces *HK$'000*	Enamelled copper wires *HK$'000*	Property investment *HK$'000*	Total *HK$'000*	2007 Discontinued Timber Business *HK$'000*
Segment revenue and gains:					
Sales to external customers	270,319	589,869	5,116	865,304	31,958
Other income and financial income	659	24,965	1	25,625	8,108
Total	270,978	614,834	5,117	890,929	40,066
Segment results	72,247	464	11,034	83,745	293,312
Unallocated corporate income and expenses, net				(19,763)	–
				63,982	293,312
Share of profit of an associate				241	–
Finance costs				(8,637)	(2,279)
Profit before income tax				55,586	291,033
Income tax expense				(16,082)	(39,221)
Profit for the year				39,504	251,812
Segment assets	367,490	215,455	70,898	653,843	636,336
Unallocated assets				1,113,516	–
				1,767,359	636,336
Segment liabilities	163,015	43,279	13,308	219,602	67,238
Borrowings				144,983	28,410
Due to related companies				769	255,519
Unallocated liabilities				19,527	–
				384,881	351,167
Other segment information:					
Depreciation and amortisation of prepaid land lease payments	3,164	6,250	1,973	11,387	10,073
Net surplus on revaluation of investment properties	–	–	(9,348)	(9,348)	–
Capital expenditure	11,215	12,796	–	24,011	856

2007

	Continuing operations				Discontinued operations		
	Watches and timepieces *HK$'000*	Enamelled copper wires *HK$'000*	Property investment *HK$'000*	Total *HK$'000*	2006 Discontinued Property Development Business *HK$'000*	2007 Discontinued Timber Business *HK$'000*	Total *HK$'000*
Segment revenue and gains:							
Sales to external customers	165,327	406,482	4,249	576,058	3,350	104,887	108,237
Other income and financial income	1,025	14,599	29	15,653	99	10,616	10,715
Total	166,352	421,081	4,278	591,711	3,449	115,503	118,952
Segment results	37,636	4,295	31,275	73,206	(9,785)	(19,851)	(29,636)
Unallocated corporate income and expenses, net				40,548			366,806
				113,754			337,170
Share of profit of an associate				2,212			–
Finance costs				(7,157)			(11,604)
Profit before income tax				108,809			325,566
Income tax expense				(7,168)			–
Profit for the year				101,641			325,566
Segment assets	137,360	200,971	61,285	399,616	–	276,052	276,052
Unallocated assets				1,009,693			–
				1,409,309			276,052
Segment liabilities	38,713	27,428	11,301	77,442	–	49,712	49,712
Borrowings				86,219			26,596
Due to related companies				13,034			196,277
Unallocated liabilities				20,315			–
				197,010			272,585
Other segment information:							
Depreciation and amortisation of prepaid land lease payments	2,640	2,887	–	5,527	291	10,387	10,678
Net surplus on revaluation of investment properties	–	–	(10,178)	(10,178)	–	–	–
Capital expenditure	5,847	78,003	10,513	94,363	23	–	23

Secondary reporting format – geographical segments

Over 90% of the Group's revenue was derived in the PRC and over 90% of the segment assets were located in the PRC. In this regard, no separate analysis of segment information by geographical segment is presented.

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:

	2008	2007
	HK$'000	*HK$'000*
Revenue on continuing operations		
Sales of goods	**860,188**	571,809
Gross rental income	**5,116**	4,249
	865,304	576,058

6. OTHER INCOME AND FINANCIAL INCOME

	2008	2007
	HK$'000	*HK$'000*
(a) Other income on continuing operations		
Income from sale of scrapped materials	**24,526**	14,599
Others	**610**	4,763
	25,136	19,362
(b) Financial income on continuing operations		
Bank interest income	**523**	1,549
Dividend income from financial assets at fair value through profit or loss	**1,139**	374
	1,662	1,923

7. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Continuing operations		
Interest charged on bank and other loans wholly repayable within five years	**8,637**	7,157

8. PROFIT BEFORE INCOME TAX

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

	2008 *HK$'000*	2007 *HK$'000*
Continuing operations		
Cost of inventories recognised as expense	**696,597**	468,903
Impairment losses on trade receivables (included in administrative expenses)	**80**	86
Depreciation *(note)*	**11,145**	5,455
Amortisation of prepaid land lease payments	**242**	72
Unrealised loss on derivative financial instruments	**2,571**	5,017
Minimum lease payments under operating leases in respect of land and buildings	**13,887**	7,236
Auditors' remuneration	**1,280**	1,200
Gross rental income	**(5,116)**	(4,249)
Less: direct operating expenses	**1,777**	787
Net rental income	**(3,339)**	(3,462)
Loss on disposals of property, plant and equipment	**74**	112
Written-off of obsolete inventories (included in cost of sales)	**5,050**	–

Note: Depreciation expense of HK$6,345,000 (2007: HK$1,398,000) has been included in cost of sales, HK$543,000 (2007: HK$593,000) in selling and distribution expenses and HK$4,257,000 (2007: HK$3,464,000) in administrative expenses.

9. INCOME TAX EXPENSE

During the year, no provision for Hong Kong profits tax has been provided in the financial statements as the Group had no assessable profit arising in Hong Kong in 2008. For the year ended 31 December 2007, Hong Kong profits tax was provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong.

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the PRC New Corporate Income Tax Law was approved and become effective on 1 January 2008. The PRC New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the corporate income tax rates for domestic-invested and foreign-invested enterprises at 25%. As a result, the applicable income tax rate of all PRC subsidiaries within the Group has changed to 25% with effect from 1 January 2008. The subsidiaries established in the PRC are subject to income taxes at tax rates ranging between 18% and 25% (2007: between 15% and 33%).

Income tax on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2008		2007	
	Continuing operations	**Discontinued operations**	Continuing operations	Discontinued operations
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Current tax for the year				
Hong Kong	**–**	**–**	951	–
PRC	**15,910**	**39,221**	6,217	–
Under-provision in respect of prior years				
Hong Kong	**172**	**–**	–	–
Total income tax expense	**16,082**	**39,221**	7,168	–

10. DISCONTINUED OPERATIONS

10.1 2007 Discontinued Timber Business

As described in note 1, in December 2007, Seti, a PRC wholly-owned subsidiary of the Group and principally engaged in manufacture and distribution of timber products, entered into the Land Resumption Agreement with the Shenzhen Municipal Government. Pursuant to the Land Resumption Agreement, in 2008, the Shenzhen Municipal Government resumed the land in Shenzhen that was currently leased to Seti (the "PRC Land") and Seti ceased its production activities. In this regard, Seti significantly scaled down its operations in manufacture and distribution of timber products in December 2007.

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

On 26 November 2008, Shenzhen Seti Trading Development Company Limited ("Seti Trading"), a wholly owned subsidiary of the Company, and Suzhou Citychamp Hongye Property Development Company Limited ("Suzhou Citychamp"), a wholly-owned subsidiary of Citychamp Dartong Company Limited ("Citychamp"), jointly won the bid at the Open Auction to acquire the Auction PRC Land. Citychamp is the joint venturer of the Group's jointly controlled entity and a Company listed in the Shanghai Stock Exchange in the PRC.

On the same date, Shenzhen Municipal Bureau of Land Resources and Housing Management, the Shenzhen Municipal Government, Seti Trading and Suzhou Citychamp entered into a document which confirms the results of the Open Auction and the Shenzhen Municipal Government, Seti Trading and Suzhou Citychamp entered into a project agreement setting out the terms of the acquisition of the Auction PRC Land (the "Project Agreement").

According to the Project Agreement, the Auction PRC Land was acquired at RMB800,000,000 (the "Consideration") which shall be settled in cash. The total compensation to be payable to Seti by the Shenzhen Municipal Government, as a result of the land resumption, shall be RMB716,000,000 (being 89.5% of RMB800,000,000). Accordingly, the considerations for the Government Retained Land (50% of the PRC Land) and the Auction PRC Land (50% of the PRC Land) are both RMB358,000,000.

The first instalment of RMB240,000,000 had been already paid by Seti Trading and Suzhou Citychamp to the Shenzhen Municipal Government in December 2008 and the remaining Consideration shall be paid in 2009.

As a result of the success of the Auction PRC Land, Seti Trading and Suzhou Citychamp entered into a joint venture agreement on 26 November 2008, pursuant to which Seti Trading and Suzhou Citychamp shall procure to establish a joint venture company (the "New JV Company") to develop the Auction PRC Land. Under this joint venture agreement, the New JV Company shall be 30% and 70% owned by Seti Trading and Suzhou Citychamp respectively. As at 31 December 2008, Seti Trading and Suzhou Citychamp were still in the process of obtaining approvals by the government authorities for the establishment of the New JV Company. Details of establishment of the New JV Company have been set out in the Company's circular dated 19 December 2008.

The restoration of the Auction PRC Land shall be completed in 2009. Prior to the resumption of the Auction PRC Land, Seti is required to, among other things; demolish the buildings on the Auction PRC Land and dispose of the property, plant and equipment of the Discontinued Timber Business. Currently, there is no plan to deregister Seti when the Open Auction is completed and the proceeds on the Auction PRC Land are collected.

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

10.2 Profit for the year from the discontinued operations is analysed as follows:

	2008	2007
	HK$'000	*HK$'000*
Profit/(Loss) of the 2007 Discontinued Timber Business and 2006 Discontinued Property Development Business	**251,812**	(41,240)
Gain on disposals of the 2006 Disposal Group	**–**	366,806
Profit for the year from the discontinued operations	**251,812**	325,566

10.3 An analysis of the results of the 2007 Discontinued Timber Business for the year ended 31 December 2008, with the comparatives for illustrative purpose, is as follows:

	2008	2007		
	2007 Discontinued Timber Business	2007 Discontinued Timber Business	2006 Discontinued Property Development Business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**31,958**	104,887	3,350	108,237
Cost of sales	**(35,762)**	(95,953)	(9,551)	(105,504)
Gross (loss)/profit	**(3,804)**	8,934	(6,201)	2,733
Other income	**8,088**	10,600	22	10,622
Selling and distribution expenses	**(277)**	(2,751)	(508)	(3,259)
Administrative expenses	**(27,942)**	(10,021)	(3,175)	(13,196)
Redundancy expense	**–**	(26,629)	–	(26,629)
Gain on disposals of non-current assets held for sale	**317,227**	–	–	–
Operating profit/(loss)	**293,292**	(19,867)	(9,862)	(29,729)
Financial income	**20**	16	77	93
Finance costs – interest on bank and other loans wholly repayable within five years	**(2,279)**	(11,604)	–	(11,604)
Profit/(Loss) before income tax	**291,033**	(31,455)	(9,785)	(41,240)
Income tax expense	**(39,221)**	–	–	–
Profit/(Loss) for the year	**251,812**	(31,455)	(9,785)	(41,240)

Depreciation of property, plant and equipment and amortisation of prepaid land lease payments totalling HK$10,073,000 (2007: HK$10,678,000) were charged to the income statement of the discontinued operations for the year.

As described in note 10.1, the Shenzhen Municipal Government retained the Government Retained Land (50% of the PRC Land). As a result of the bid on the Open Action and pursuant to the written confirmation from the Shenzhen Municipal Government, the resumption of the Government Retained Land was completed on 26 November 2008 and title and ownership of the Government Retained Land had been passed to the Shenzhen Municipal Government on that date. The receivable consideration for this land is HK$406,818,000 (equivalent to RMB358,000,000) as at 31 December 2008. In these regards, for the year ended 31 December 2008, the Group had recognised the gain on disposals of non-current assets held for sale as follows:

	HK$'000
Proceeds from disposals of non-current assets held for sale	406,818
Carrying amounts of non-current assets held for sale	(87,481)
Other relevant income and expenses related to the disposal, net	(2,110)
	317,227

Sale of the Auction PRC Land, being the remaining 50% of the PRC Land, shall be recognised in the income statement when the Shenzhen Municipal Government sends the notifications to allow the New JV Company to apply for the title of the land use right certificate.

11. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Dividend attributable to:		
Proposed final dividend of HK2.50 cents per share	**88,551**	–

The final dividend declared after the balance sheet date has not been recognised as a liability at the balance sheet date, but reflected as an appropriation of retained earnings for the year ended 31 December 2008. The board of directors did not recommend any payment of dividends for the year ended 31 December 2007.

12. EARNINGS PER SHARE

The calculations of basic earnings per share from continuing and discontinued operations are based on the profit from continuing operations attributable to equity holders of the Company of HK$38,401,000 (2007: HK$101,641,000) and the profit from discontinued operations attributable to equity holders of the Company of HK$251,812,000 (2007: HK$325,826,000) and on the weighted average of 2,160,200,000 (2007: 1,792,031,000) ordinary shares in issue during the year.

For the year ended 31 December 2008, the share options had no dilutive effect as the average market price of the ordinary shares was below the exercise price of the options. Diluted earnings per share for the year ended 31 December 2007 were not disclosed as no dilutive events existed during that year.

13. TRADE AND BILL RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for certain customers, where payment in advance is required. The credit period is generally for a period of three months (2007: three months) for major customers except for customers of the Group's discontinued operations where settlements were made in accordance with the sales contract entered into between the Group and the customers. Each customer has a maximum credit limit. Trade debtors with balances that are more than three months overdue are required to settle all outstanding balances before any further credit is granted. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	2008	2007
	HK$'000	*HK$'000*
1 to 3 months	**99,779**	41,914
4 to 6 months	**2,998**	2,138
Over 6 months	**874**	–
	103,651	44,052

14. TRADE PAYABLES

Ageing analysis of trade payables (including amounts due to related parties with trading in nature) as at the balance sheet dates, based on the invoice dates, is as follows:

	2008	2007
	HK$'000	*HK$'000*
1 to 3 months	**83,552**	19,135
4 to 6 months	**988**	14,350
Over 6 months	**1,778**	12
	86,318	33,497

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board recommended the payment of a final dividend of HK2.50 cents per share for the year ended 31 December 2008, subject to the approval by shareholders at the forthcoming Annual General Meeting (Year ended 31 December 2007: Nil).

The register of members of the Company will be closed from 4 June 2009 to 10 June 2009, both days inclusive, during which period no transfer of share will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Tricor Secretaries Limited, at 26/F, Tesbury Center, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 3 June 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS

For the year ended 31 December 2008, the Group's revenue (continuing and discontinued operations) amounted to HK$897,262,000, an increase of HK$212,967,000 over the last year. Gross profit increased by HK$55,015,000 to HK$164,903,000 while net profit attributable to equity holders decreased by HK$137,254,000 to HK$290,213,000. Earnings per share decreased from HK23.85 cents in 2007 to HK13.44 cents in 2008. The decrease in net profit and earnings per share was due to the exceptional gain on disposal of the entire equity interest in Beijing Jing Guan Property Development Co. Ltd., a wholly owned subsidiary of the Group and 80% equity interest in Beijing Xin Yang Property Development Co. Ltd. in 2007.

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

During the year, the Group received 11,819,909 bonus shares and cash dividend of HK$1,496,000 from Citychamp Dartong, being 14.78% owned by the Group.

On 31 March 2009, Citychamp Dartong announced its results under PRC GAAP for the year ended 31 December 2008. The earnings per share for the year is RMB0.27, which represents a decrease of 18.18% as compared with last year.

The annual dividends from Citychamp Dartong will provide recurring source of profit and funds for working capital.

(2) Termination of timber plant in Shenzhen

Seti Timber and the Shenzhen Government entered into an agreement on 3 December 2007. Pursuant to the agreement, the Shenzhen Government will (1) resume the land granted to Seti Timber and will retain 50% of area of the land and will arrange for the remaining 50% of area of the land to be auctioned for sale at the open auction; (2) compensate Seti Timber for the land resumption by paying Seti Timber 89.5% of the proceeds from the sale of 50% area of the land; (3) change the land use from industrial to residential and commercial for the portion of land to be auctioned.

The gain expected to accrue to Seti Timber is 89.5% of the proceeds from the sale of the 50% of area of the land minus the net asset value of the land and the relevant land restoration costs. On 26 November 2008, the open auction of land in Shenzhen at a consideration of RMB800 million was executed. A joint venture, 70% owned by Citychamp Dartong Company Limited and 30% owned by the Company, won the bid at the open auction and would develop the land into a residential, commercial, office and hotel complex with total gross floor area of 205,693 sq.m.. The Group's share of registered capital and the consideration was RMB270 million (equivalent to approximately HK$306.8 million) in aggregate and there was no other funding requirement from the Group for the development. 50% of gain from the land auction and resumption has been accounted for in 2008; the remaining 50% would be fully reflected in 2009.

(3) Watches and timepieces business

EBOHR Luxuries International Ltd. ("EBOHR"), a wholly-owned subsidiary of the Group, achieved satisfactory result in 2008. Revenue was HK$224,434,000, an increase of HK$59,107,000, or 36%, from HK$165,327,000 for the last year, contributing net profit of approximately HK$43,777,000 to the Group. EBOHR was characterized by increasing unit price, gross margin, net margin and revenue per outlet. During 2008, EBOHR has established PAMA Precision Manufacturing Ltd that focus on gold watches with Swiss and Japanese mechanic and quartz movements and jewellery watches exclusive for ladies.

The Company acquired 100% of the issued capital of Jia Cheng Investment Ltd. ("Jia Cheng") for a consideration of HK$525 million satisfied by the allotment and issue of 1,750 million shares of the Company at HK$0.30 each. Pursuant to the relevant accounting standard, the fair value of the shares issued was HK$665 million based on the market price of the share of HK$0.38 each as of the completion date. Jia Cheng owns 91% of Zhuhai Rossini Watch Industry Ltd. ("Rossini"). The acquisition was fully completed on 15 October 2008. Rossini contributed net profit of approximately HK$11,165,000 to the Group in 2008 after the acquisition was duly completed on 15 October 2008.

These brands were two of the top four domestic watch brands in the Mainland China, accounting for over 40% share of the domestic watch market. The impact of the global financial crisis on both watch companies was limited as 95% sale was domestic.

(4) Enamelled copper wires business

Fuzhou Dartong M&E Co. Ltd. ("Fuzhou Dartong"), a 49% owned joint venture of the Group contributed revenue and net loss after tax of approximately HK$589,869,000 and HK$7,773,000 respectively in 2008. Although sale volume and revenue increased by 45% in 2008, Fuzhou Dartong incurred loss due to low profitability and written-off of inventory.

Jiangsu Dartong M&E Co. Ltd. ("Jiangsu Dartong"), a 25.58% owned associated company of the Group recorded contributions of profit of approximately HK$241,000 in 2008. The decrease in contributions was due to the decrease in revenue.

The global financial crisis influenced both enamelled copper wires companies. They went through a difficult period of industry consolidation. Given the product quality, customer quality and production scale, both companies were strong enough to draw customers away from peers that were relatively leveraged or might be suffering short-term cash flow problems. Coupled with customer profitability analyses, both companies would focus on more profitable customers rather than non-profitable customers, thus increasing the overall profitability. As a result, both companies may be able to grow market share even under low or no growth industry conditions. The competitive position of both companies would be enhanced in the long run.

(5) Property investment

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

FINANCIAL POSITION

(1) Liquidity, financial resources and capital structure

As at 31 December 2008, the Group had non-pledged cash and bank balances of approximately HK$62,340,000 (31 December 2007: HK$82,362,000). Based on the bank loans of HK$173,393,000 (31 December 2007: HK$112,815,000) and shareholders' equity of HK$1,659,700,000 (31 December 2007: HK$1,213,374,000), the Group's gearing ratio (being loans divided by Shareholders' equity) was 10% (31 December 2007: 9%).

As at 31 December 2008, the Group's bank loans amounting to HK$147,779,000 (85% of all bank loans) were repayable within one year.

(2) Charge on assets

Other banking facilities of the Company were secured by the Group's investment properties on Tai Hang Road with carrying amount of approximately HK$12,450,000 as at 31 December 2008.

(3) Capital commitments

As at 31 December 2008, the Group had capital commitments of HK$228,229,000 (31 December 2007: HK$13,934,000).

(4) Contingent liabilities

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

OUTLOOK

We strive to develop our watch business by expanding internally and externally. Owing to their leading market positions and comprehensive sales networks, EBOHR and Rossini are expected to generate increasingly strong revenue and profits even in the current economic environment. The profits would be applied to improve the products and channels of distribution. In the current environment, net cash to be received from the land auction and resumption or sitting on the balance sheet of our Group would be transformed into a potential "value driver". This arises as low-cost acquisition opportunities emerge, offering potential long-term value generation. Given the intended acquisitions, the Group would become one of the important players in the watch market in the mainland China. With the recurring revenue and profit, the Group is more likely to be able to pay or sustain cash dividend payments in the future.

After a period of industry consolidation, Fuzhou Dartong and Jiangsu Dartong would manage to attract more leading local and multinational customers, who are important for the long term profitability. The industry consolidation may lead to improvement of the competitive position and profitability both companies in the long run.

The Group will also explore potential investments and acquisition opportunities in order to develop its business portfolio.

The economic recovery of the Mainland China in the next few years would benefit the segments of watches and timepieces, enamelled copper wires and real estate investment.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2008, the Group had approximately 2,000 full-time staff in Hong Kong and the PRC. The remuneration packages offered to the employees were determined and reviewed on an arm's length basis with reference to the market 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.

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 2008, 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 2008.

Details of compliance with the Code will be set out in the corporate governance report in the 2008 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2008.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") on 23 August 2005 in compliance with the Listing Rules, terms of reference of which have been adopted by the Board of the Company are consistent with the requirements of the Code. The Remuneration Committee currently comprises the three Independent Non-executive Directors, Mr. Fung Tze Wa (the Chairman of the Committee), Dr. Kwong Chun Wai, Michael and Mr. Li Qiang, the Chairman of the Board, Mr. Hon Kwok Lung and the Chief Executive Officer, Mr. Shang Jianguang.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three Independent Non-executive Directors of the Company. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial matters including the review of the audited financial statements for the year ended 31 December 2008.

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 year under review.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

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

APPRECIATION

On behalf of the Board, I would like to express my heartfelt gratitude to our business partners, customers and shareholders. In addition, I would like to take this opportunity to thank all our staff members for their valuable contribution during the past year.

By order of the Board
Hon Kwok Lung
Chairman

Hong Kong, 17 April 2009

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