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 2009

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 2009 together with comparative figures for the corresponding period in 2008.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Continuing operations:			
Revenue	*5*	**437,358**	426,596
Cost of sales		**(263,525)**	(350,500)
Gross profit		**173,833**	76,096
Other income	*6*	**2,612**	10,041
Selling and distribution expenses		**(72,128)**	(26,993)
Administrative expenses		**(54,822)**	(43,727)
Gain/(Loss) on fair value changes in financial assets at fair value through profit or loss, net		**38,722**	(24,815)
Net surplus on revaluation of investment properties		**4,002**	–
Dividend income from available-for-sale financial assets	*13*	**8,238**	73,624

		Six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Operating profit		**100,457**	64,226
Financial income	*6*	**205**	983
Finance costs	*7*	**(4,745)**	(3,380)
Share of (loss)/profit of an associate		**(2,586)**	1,655
Profit before income tax	*8*	**93,331**	63,484
Income tax expense	*9*	**(14,889)**	(4,866)
Profit after income tax from continuing operations		**78,442**	58,618
Discontinued operations:			
Profit/(Loss) for the period from discontinued operations	*12.1*	**231,493**	(12,749)
Profit for the period		**309,935**	45,869
Other comprehensive income/(loss)			
– Exchange gain on translation of financial statements of foreign operations		**11**	3,813
– Change in fair value of available-for-sale financial assets		**924,729**	(372,525)
Other comprehensive income/(loss) for the period		**924,740**	(368,712)
Total comprehensive income/(loss) for the period		**1,234,675**	(322,843)
Profit for the period attributable to:			
Equity holders of the Company		**306,926**	45,869
Minority interests		**3,009**	–
		309,935	45,869
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**1,231,664**	(323,006)
Minority interests		**3,011**	163
		1,234,675	(322,843)
Dividends	*10a*	**35,420**	–

	Notes	Six months ended 30 June **2009** **(Unaudited)** ***HK$'000***	 2008 (Unaudited) *HK$'000*
Earnings per share for profit from continuing operations attributable to equity holders of the Company	*11*		
Basic		**HK cents 2.13**	HK cents 3.27
Diluted		**HK cents 2.11**	N/A
Earnings/(loss) per share for profit/(loss) from discontinued operations attributable to equity holders of the Company	*11*		
Basic		**HK cents 6.54**	HK cents (0.71)
Diluted		**HK cents 6.48**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2009

	Notes	**30 June 2009 (Unaudited) *HK$'000***	31 December 2008 (Audited) *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**180,240**	159,147
Investment properties		**73,608**	69,606
Prepaid land lease payments		**26,188**	20,742
Goodwill		**621,382**	621,382
Interests in associates		**31,995**	34,582
Available-for-sale financial assets	*13*	**1,337,739**	413,010
Prepayments and deposits		**282,058**	84,360
Deferred tax assets		**1,207**	1,207
		2,554,417	1,404,036
Current assets			
Inventories		**205,085**	217,949
Trade and bill receivables	*14*	**136,291**	103,651
Prepaid land lease payments		**605**	444
Prepayments, deposits and other receivables		**36,083**	469,323
Financial assets at fair value through profit or loss		**94,413**	29,059
Due from a related company		**2,492**	–
Cash and cash equivalents		**379,305**	62,340
		854,274	882,766
Non-current assets held for sale	*12.2*	**–**	116,893
		854,274	999,659

	Notes	**30 June 2009 (Unaudited) *HK$'000***	31 December 2008 (Audited) *HK$'000*
Current liabilities			
Trade payables	*15*	**139,647**	86,318
Other payables and accruals		**106,250**	150,469
Dividend payables	*10b*	**88,551**	–
Tax payables		**129,266**	61,992
Derivative financial instruments		**497**	7,588
Borrowings		**100,206**	147,779
Due to a related company		**445**	256,288
		564,862	710,434
Net current assets		**289,412**	289,225
Total assets less current liabilities		**2,843,829**	1,693,261
Non-current liabilities			
Borrowings		**22,273**	25,614
Net assets		**2,821,556**	1,667,647
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**354,203**	354,203
Proposed dividends	*10*	**35,420**	88,551
Reserves		**2,420,975**	1,216,946
		2,810,598	1,659,700
Minority interests		**10,958**	7,947
Total equity		**2,821,556**	1,667,647

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. GENERAL INFORMATION

As disclosed in notes 1 and 11 to the financial statements of the Company for the year ended 31 December 2008 (the "2008 Annual Financial Statements"), Seti Timber Industry (Shenzhen) Co., Ltd. ("Seti"), a wholly-owned subsidiary of the Company, established in the People's Republic of China ("the PRC"), entered into a land resumption agreement with the Shenzhen Municipal Government, under which, in 2008, the Shenzhen Municipal Government resumed a piece of the land in Shenzhen that was leased to Seti (the "PRC Land") and Seti had ceased its production operations. In this regard, Seti had significantly scaled down its operations in manufacture and distribution of timber products (the "Discontinued Timber Business") since 2007. Details of this transaction were set out in the Company's circular dated 24 December 2007.

As the Discontinued Timber Business carried out by Seti represented components of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represented a separate major line of businesses, the Group presented, in its unaudited condensed consolidated interim financial statements for the six months ended 30 June 2009 (the "Unaudited Interim Financial Statements"), the operations of the Discontinued Timber Business as discontinued operations in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 5 – Discontinued Operations.

During the six months ended 30 June 2009, the restoration of the PRC Land was completed and the compensation was fully settled by the Shenzhen Municipal Government. Seti had demolished the buildings on the PRC Land and disposed of the property, plant and equipment of the Discontinued Timber Business on the PRC Land. Further details regarding the Discontinued Timber Business is set out in note 12 to the Unaudited Interim Financial Statements.

2. BASIS OF PREPARATION

The Unaudited Interim Financial Statements of the Group have been prepared in accordance with the Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

The Unaudited Interim Financial Statements should be read in conjunction with the 2008 Annual Financial Statements.

The Unaudited Interim Financial Statements for the six months ended 30 June 2009 was approved for issue by the board of directors on 9 September 2009.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Unaudited Interim Financial Statements have been prepared in accordance with the accounting policies and method of comparatives used in the 2008 Annual Financial Statements, except for the adoption of the new or amended Hong Kong Financial Reporting Standards ("HKFRSs"), which include individual HKFRSs, HKASs and Interpretations ("Int") as disclosed below.

In the current period, the Group has applied for the first time the following new or amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32, HKAS 39 and HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 and HKAS 39 (Amendment)	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
Various	Annual Improvements to HKFRSs 2008

Other than as noted below, the adoption of these new or amended HKFRSs has had no material effect on the Unaudited Interim Financial Statements.

HKAS 1 (Revised 2007) – Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses are unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". Comparatives have been restated to conform with the revised standard.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the 2008 Annual Financial Statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns.

Adoption of new or amended HKFRSs

The Group has not early adopted the following new and amended HKFRSs, which have been published but are not yet effective:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 2 (Amendment)	Group Cash-Settled Share-Based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[2]
Various	Annual Improvements to HKFRS 2009[4]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for transfer received on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 January 2010
4 Generally effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific HKFRS

The directors of the Company 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.

4. SEGMENT INFORMATION

On adoption of HKFRS 8 Operating segments, the Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance.

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

(a) manufacture and distribution of watches and timepieces;

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

(c) property investments; and

(d) manufacture and distribution of timber products carried out by the Discontinued Timber Business which has been classified as discontinued operations for the period (note 12).

The segment information is presented as follows:

	Six months ended 30 June 2009				
	Continuing operations				Discontinued operations
	Watches and timepieces (Unaudited) *HK$'000*	Enamelled copper wires (Unaudited) *HK$'000*	Property investments (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*	Discontinued Timber Business (Unaudited) *HK$'000*
Segment revenue and gains:					
Sales to external customers	**243,553**	**191,061**	**2,744**	**437,358**	**4,536**
Other income and financial income	**932**	**1,709**	**10**	**2,651**	**2,114**
Total	**244,485**	**192,770**	**2,754**	**440,009**	**6,650**
Segment results	**71,407**	**10,140**	**4,783**	**86,330**	**293,319**
Unallocated corporate income and expenses, net				**14,332**	**–**
				100,662	**293,319**
Share of loss of an associate				**(2,586)**	**–**
Finance costs				**(4,745)**	**(158)**
Profit before income tax				**93,331**	**293,161**
Income tax expense				**(14,889)**	**(61,668)**
Profit for the period				**78,442**	**231,493**

	Six months ended 30 June 2008				
	Continuing operations				Discontinued operations
	Watches and timepieces (Unaudited) *HK$'000*	Enamelled copper wires (Unaudited) *HK$'000*	Property investments (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*	Discontinued Timber Business (Unaudited) *HK$'000*
Segment revenue and gains:					
Sales to external customers	91,047	333,265	2,284	426,596	20,325
Other income and financial income	1,879	1,400	1	3,280	2,128
Total	92,926	334,665	2,285	429,876	22,453
Segment results	25,277	10,644	779	36,700	(11,757)
Unallocated corporate income and expense, net				28,509	–
				65,209	(11,757)
Share of profit of an associate				1,655	–
Finance costs				(3,380)	(992)
Profit/(Loss) before income tax				63,484	(12,749)
Income tax expense				(4,866)	–
Profit/(Loss) for the period				58,618	(12,749)

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 period is as follows:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations		
Sale of goods	**434,614**	424,312
Gross rental income	**2,744**	2,284
	437,358	426,596

6. OTHER INCOME AND FINANCIAL INCOME

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations		
Other income		
Exchange gain	**30**	8,562
Write back of provision for obsolete inventories	**1,236**	–
Others	**1,346**	1,479
	2,612	10,041
Financial income		
Interest income	**59**	121
Dividend income from financial assets at fair value through profit or loss	**146**	862
	205	983

7. FINANCE COSTS

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations		
Interests on bank loans wholly repayable within five years	**4,745**	3,380

8. PROFIT BEFORE INCOME TAX

The Group's profit before income tax was arrived at after charging/(crediting):

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations		
Depreciation	**6,428**	4,518
Amortisation of prepaid land lease payments	**126**	114
Equity-settled share-based compensation	**7,785**	–
Gain on derivative financial instruments	**(7,091)**	(1,077)

9. 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 2008: Nil). The subsidiaries and jointly controlled entity established in the PRC are subject to income taxes ranging between 20% and 25% (Six months ended 30 June 2008: between 18% and 25%).

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

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations		
Current tax for the period – the PRC	**14,889**	4,866

10. DIVIDENDS

(a) Dividend attributable to the interim period

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend of HK1.0 cent per share (Six months ended 30 June 2008: Nil)	**35,420**	–

The interim dividend was declared after the reporting date and has not been recognised as a liability at the reporting date.

(b) Dividend payables as at 30 June 2009 represented the final dividend for the year ended 31 December 2008 and recognised as distribution during the period:

	30 June	31 December
	2009	2008
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Final dividend for the year ended 31 December 2008 of HK2.5 cents per share	**88,551**	–

11. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to the equity holders of the Company are based on the information as follows:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings/(Loss) for the purpose of calculating basic and diluted earnings per share:		
– continuing operations	**75,432**	58,618
– discontinued operations	**231,494**	(12,749)

	Number of shares Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**3,542,031,000**	1,792,031,000
Effect of dilutive potential ordinary shares:		
– outstanding share options	**28,380,000**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**3,570,411,000**	1,792,031,000

12. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE

12.1 The unaudited results of the discontinued operations, the Discontinued Timber Business for the periods were as follows:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue	**4,536**	20,325
Cost of sales	**(12,265)**	(22,718)
Gross loss	**(7,729)**	(2,393)
Other income	**1,995**	2,116
Selling and distribution expenses	**(144)**	(145)
Administrative expenses	**(10,721)**	(11,347)
Gain on disposal of non-current assets held for sale *(Note)*	**309,799**	–
Operating profit/(loss)	**293,200**	(11,769)
Financial income	**119**	12
Finance costs – interest on bank loans wholly repayable within five years	**(158)**	(992)
Profit/(loss) before income tax	**293,161**	(12,749)
Income tax expense	**(61,668)**	–
Profit/(loss) for the period	**231,493**	(12,749)

Note: Gain on disposal of non-current assets held for sale was analysed as follows:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Proceeds from disposals of non-current assets held for sale	**406,818**	–
Carrying amounts of non-current assets held for sale	**(85,317)**	–
Other relevant income and expenses related to the disposal, net	**(11,702)**	–
	309,799	–

12.2 Non-current assets held for sale

The restoration of the PRC Land was completed during the six months ended 30 June 2009 and the compensation was fully settled by the Shenzhen Municipal Government. Seti had demolished the buildings on the PRC Land and disposed of the property, plant and equipment of the Discontinued Timber Business on the PRC Land. As at 30 June 2009, all of the non-current assets held for sale had been disposed of (31 December 2008: non-current assets held for sale was HK$116,893,000, including property, plant and equipment of HK$89,671,000 and prepaid land lease payment of HK$27,222,000).

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2009 (Unaudited) ***HK$'000***	31 December 2008 (Audited) *HK$'000*
Listed equity investments in the PRC, at fair value	**1,337,665**	412,936
Unlisted equity investment, at cost		
– 合肥光大木材工業有限公司	**3,477**	3,477
– Others	**74**	74
Less: Provision for impairment	**(3,477)**	(3,477)
	74	74
	1,337,739	413,010

As at 30 June 2009, the listed equity investment in the PRC represented 14.78% equity interest in Citychamp Dartong Company Ltd ("Citychamp") which is listed in the Shanghai Stock Exchange in the PRC.

On 20 May 2009, Citychamp declared a cash dividend of RMB0.8 for every 10 Citychamp shares. Cash dividend of HK$8,238,000 was receivable by the Group and recognised in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2009 (Six months ended 30 June 2008: HK$73,624,000 including bonus dividend of HK$ 72,128,000 and cash dividend of HK$1,496,000).

14. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for certain customers, where payment in advance is normally required. The credit period is generally for a period of 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.

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

	30 June 2009 (Unaudited) *HK$'000*	31 December 2008 (Audited) *HK$'000*
1 to 3 months	**125,079**	99,779
4 to 6 months	**8,261**	2,998
Over 6 months	**2,951**	874
	136,291	103,651

15. TRADE PAYABLES

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

	30 June 2009 (Unaudited) *HK$'000*	31 December 2008 (Audited) *HK$'000*
1 to 3 months	**123,261**	83,552
4 to 6 months	**16,013**	988
Over 6 months	**373**	1,778
	139,647	86,318

MANAGEMENT DISCUSSION AND ANALYSIS

Operating results

For the six months ended 30 June 2009, the Group recorded an unaudited revenue (including continuing and discontinued operations) of approximately HK$441,894,000 (Six months ended 30 June 2008: HK$446,921,000), representing a decrease of HK$5,027,000 compared with the corresponding period last year. Net Profit attributable to equity holders for the period was approximately HK$306,926,000, representing an increase of HK$261,057,000 compared with the corresponding period last year. Having set apart the financial impact of the discontinued operations for the period of HK$231,494,000, the Group should have an increase of net profit of HK$16,814,000 from its continuing operations compared with the net profit last period.

Business review

(1) Watches and timepieces business

EBOHR Luxuries International Company Limited ("EBOHR"), a wholly-owned subsidiary of the Group, achieved satisfactory results in the first half of 2009. Revenue for the first half of 2009 was HK$119,502,000, an increase of HK$28,455,000, or 31%, from HK$91,047,000 for the same period last year. Net profit after tax for the first half of 2009 was HK$23,073,000 compared with HK$20,620,000 for the same period in 2008, an increase of HK$2,453,000, or 12%. The growth of net profit after tax decreased due to the general increase in tax rates applicable to the local companies in different cities of the Mainland China.

EBOHR's strategy is to develop its existing and new proprietary brands, and it has executed different strategies for its proprietary brands so as to establish a solid foundation for the sustainable development. The success of PAMA, a new brand and product line introduced in 2008 focusing on the top tier customers and the introduction of KANA, a new brand and product line introduced in 2009 targeting to the white collar ladies would contribute to the further increase in revenue and net profit after tax in the second half of 2009. In addition to the existing marketing efforts, the sale and promotion in the second and third tier cities would further enhance the brand awareness all over the Mainland China.

The revised strategy of recruiting authorised dealers would increase the number of distribution outlets while the training of sale professionals would improve the effectiveness of the distribution outlets. In the next two years, EBOHR would establish ten boutique shops selling its proprietary brand watches, i.e., under the brand names of PAMA, KANA and others. Each boutique shop is expected to cost approximately RMB1 million and the total investment would be approximately RMB10 million. After the balance sheet date, EBOHR has established a 100% owned subsidiary in Switzerland, marketing the Swiss-made watches under EBOHR's designated brand names and the Mainland China-made watches of sophisticated mechanical movement. At the same time, the Swiss-made watches under EBOHR's designated brand names would also be sold in its local distribution channels.

Zhuhai Rossini Watch Industry Ltd. ("Rossini"), a 91% subsidiary of the Group, also achieved satisfactory results in the first half of 2009. Revenue for the first half of 2009 was HK$124,051,000. Net profit after tax for the first half of 2009 was HK$29,408,000.

Rossini has put a lot of effort on expanding the distribution outlets through department stores. Working closely with its regional sale managers, Rossini has consolidated the distribution outlets in the first tier cities and increased the number of its distribution outlets in the second and third tier cities. In the first half of 2009, there was an increase of 50 distribution outlets all over the Mainland China.

While strongly established in the market for watch with price of approximately RMB3,000, Rossini has developed products for other segments such as the luxury segment and the specialist segment such as tourbillon watches. The objective is to generate increasingly strong recurring income from the strongly established market for watch of approximately RMB3,000 and develop additional income from selectively targeted market segments, leveraging on the comprehensive distribution network and wide range of quality products.

Following the integration with the Group, Rossini made significant improvements in the manufacturing, operation, sale and marketing. Among the improvements, Rossini recruited watch designers in the leading schools in the Mainland China and watch designers from Hong Kong to develop new product lines; these new product lines reflect the current international trends and yet take into account of the unique preference of the local market. With growing economy, improving standard of living, and expanding targeted markets coupled with the comprehensive distribution network and quality products, the demand for Rossini's watches is expected to be substantial and sustainable.

Significant efforts in sales and marketing of EBOHR and Rossini also led to increases in selling and distribution expenses for the period ended 30 June 2009.

On 16 July 2009, the Group acquired Shenzhen Permanence Commerce Co., Ltd. ("Permanence"), a company focusing on distribution of leading Japanese watches such as Citizen and Casio and other foreign brands. Currently, Permanence owns distribution outlets in excess of 30 and develops the third party outlets in excess of 40. Permanence has exclusive distribution right for Citizen covering Sichuan Province, Fujian Province, Shanxi Province and Chongqing City. Permanence can source for all its own distribution outlets all over the Mainland China from Casio. Permanence not only provides an additional distribution network for the Group's watches but also generates revenue from the distribution of other well-known foreign brands. Given the good relationship with well-known foreign brands and the outlet providers, the number of Permanence's distribution outlets is expected to increase rapidly in the next two years. It will be a significant revenue and profit driver for the Group starting from the second half of 2009.

(2) Termination of timber plant in Shenzhen

The Group received from the Shenzhen Government the compensation of RMB716 million, being 89.5% of the proceeds from the sale of the land. While approximately 50% of the gain from the land auction and resumption has been accounted for in 2008, the remaining 50% was fully reflected in the first half of 2009. The Group recognised the gain on disposal before tax of HK$317,227,000 in 2008 and HK$309,799,000 in the first half of 2009, the gain on disposal after tax was HK$278,006,000 and HK$248,131,000 respectively.

A joint venture, 70% owned by Citychamp Dartong Company Limited and 30% owned by the Group, acquired the land and will 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 of the joint venture and the consideration of the land will be RMB270 million in aggregate and there was no other funding requirement from the Group for the development.

In view of the stable land and property market in Shenzhen, the outlook for the real estate development and for the resale value of the land is considered satisfactory.

(3) Enamelled copper wires business

Fuzhou Dartong Mechanic and Electronic Company Ltd. ("Fuzhou Dartong"), a 49% owned joint venture of the Group contributed revenue and net profit after tax of approximately HK$191,061,000 and HK$6,664,000 respectively in the first half of 2009.

Jiangsu Dartong Mechanic and Electronic Company Ltd. ("Jiangsu Dartong"), a 25.58% owned associated company of the Group recorded loss of approximately HK$2,586,000 in the first half of 2009.

Both Fuzhou Dartong and Jiangsu Dartong showed satisfactory performance in spite of the global financial crisis. The efforts of improved management of customer relationship, production, cost and quality paid off. Both companies managed to attract more leading local and multinational customers; they developed new customers in the areas of power generator, automobile industry and electric tools. The new products related to wind power were accepted by leading multinational customers. At the same time, the production costs and other costs were properly controlled. The improvement in the portfolio of customers, the provision of right products and the cost control were critical for the competitive position and profitability of both companies in the long run.

(4) Investment in Citychamp Dartong

During the period, the Group recorded a cash dividend income of HK$8,238,000 from Citychamp Dartong (Six months ended 30 June 2008: HK$73,624,000 composed of 11,820,000 bonus shares of HK$72,128,000 and a cash dividend of HK$1,496,000).

On 28 July 2009, Citychamp Dartong announced its results under PRC GAAP for the period ended 30 June 2009. Earnings per share for the period was RMB0.15, a decrease of 21% over the last period. As at 30 June 2009, the Group owned 90,619,301 shares, accounting for 14.78% of the total capital of Citychamp Dartong. Based on the market price on 30 June 2009, the fair value of the share was HK$1,337,665,000 and the change in the fair value from 31 December 2008 to 30 June 2009 of HK$924,729,000 was disclosed as other comprehensive income in the condensed consolidated statement of comprehensive income and included as reserves in the condensed consolidated statement of financial position. The lock-up period would expire on 22 May 2010.

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

(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 period under review.

Financial position

(1) Liquidity, financial resources and capital structure

As at 30 June 2009, the Group had non-pledged cash and bank balances of approximately HK$379,305,000. Based on the bank loans of HK$122,479,000 and shareholders' equity of HK$2,810,598,000, the Group's gearing ratio (being loans divided by shareholders' equity) was 4% (31 December 2008: 10%).

The Group's bank loans were denominated in Reminbi and Hong Kong dollars. As at 30 June 2009, the Group's bank loans amounted to HK$122,479,000 (31 December 2008: HK$173,393,000).

(2) Charge on Assets

(a) As at 30 June 2009, certain of the Group's banking facilities were secured by the Group's buildings with carrying amount of HK$887,000 and investment properties with carrying amount of HK$13,850,000.

(b) As at 30 June 2009, certain of the banking facilities of the joint venturer were secured by the Group's prepaid land lease payment and buildings with carrying amount of HK$54,731,000.

(3) Capital commitments

As at 30 June 2009, the Group had capital commitments of HK$27,273,000.

(4) Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2009.

Prospects

The recent robust US macroeconomic indicators have provided evidence that the global recession is coming to an end and economic activities are returning to the growth path. In the Mainland China, various economic policies together with the RMB4 trillion stimulus packages led to a rapid expansion of domestic demand and a speedy economic recovery as a whole. The retail sales of the Mainland China in June 2009 rose 15% on an annual basis, clearly indicating that the massive stimulus package coupled with the huge amount of new loans issued by the banking system since the start of the year has managed to turn the economy around. It was expected that a significant growth of retail sale would start from the second half of 2009.

With the aspiration to be one of the leading watch manufacturers and distributors in the Mainland China, the Group is committed to build a portfolio covering extensive products and markets through various watch related companies. To this end, the Group intends to achieve the development internally and externally. While there are tremendous initiatives for internal growth of EBOHR and Rossini, the Group also intends to grow through acquisitions. The growth strategy by acquiring Permanence is paying off. Through Permanence, the Group has quickly increased the number of distribution outlets and more importantly, the number of proprietary and non-proprietary brands that the Group would distribute, hence generating increasingly strong revenue. The acquisition is only the beginning of a series of potential acquisitions for local watch companies and watch mechanical movement manufacturing companies. The Group has discussions with local watch companies and watch mechanical movement manufacturing companies.

Looking ahead, the Group continues to invest in its successful organic growth strategy through the existing watch entities. The Group remains keen to watch opportunities to make acquisitions in the Mainland China and overseas, where the price is right and fit for the Group's strategy and culture. The ultimate goal is to build a comprehensive portfolio of companies specialising in manufacturing watches and mechanical movement and distribution of the proprietary brands and non-proprietary brands in the Mainland China and overseas.

Given the relatively stable economic growth of the Mainland China, the core business segment of watches and timepieces and other non-core business segments of enamelled copper wires and property investment would perform satisfactorily.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2009, the Group had approximately 2,000 full-time employees 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. Directors and all employees of the Group in Hong Kong have joined the Mandatory Provident Fund Scheme or the Occupational Retirement Scheme, and may also be granted share options to subscribe for the shares of the Company pursuant to Section 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the "Listing Rules").

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 the currency, such foreign exchange exposure is immaterial and could be effectively monitored.

INTERIM DIVIDEND

The Board of Directors ("the Board") has resolved to distribute an interim dividend of HK1.0 cent per share for the six months ended 30 June 2009 (Six months ended 30 June 2008: Nil).

CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with all the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2009, except with the details disclosed below:

Code E.1.2

Code E.1.2 stipulates that the Chairman of the Board 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 10 June 2009 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 2009.

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 on Corporate Governance Practices. The Remuneration Committee 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, the Chairman of the Board, Mr. Hon Kwok Lung and the Chief Executive Officer, Mr. Shang Jianguang.

AUDIT COMMITTEE

The audit committee comprises the three existing independent non-executive directors of the Company. The audit committee 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 condensed consolidated interim financial statements for the six months ended 30 June 2009. 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.

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

All the information required by paragraphs 46(1) to 46(9) of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at www.irasia.com/listco/hk/chinahaidian and www.chinahaidian.com in due course.

APPRECIATION

The Group's impressive performance in the past period was the result of the dedicated work by the management and its employees. The Directors would like to take this opportunity to express our sincere gratitude to our employees, customers, bankers, professional consultants and shareholders for their support.

By order of the Board
Hon Kwok Lung
Chairman

Hong Kong, 9 September 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.