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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 2010

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 2010 together with comparative figures for the corresponding period in 2009.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Six Months Ended 30 June 2010

	Notes	**Six months ended 30 June** **2010** **HK$'000** **(Unaudited)**	2009 *HK$'000* (Unaudited)
Continuing operations:			
Revenue	*4*	**712,061**	437,358
Cost of sales		**(474,575)**	(263,525)
Gross profit		**237,486**	173,833
Other income		**464**	2,612
Selling and distribution expenses		**(96,624)**	(72,128)
Administrative expenses		**(70,430)**	(54,822)
(Loss)/Gain on fair value changes in financial assets at fair value through profit or loss, net		**(1,746)**	38,722
Net surplus on revaluation of investment properties		**–**	4,002
Gain on disposals of an associate	*11*	**177,711**	–
Dividend income from available-for-sale financial assets		**5,172**	8,238
Operating profit		**252,033**	100,457
Financial income		**1,079**	205
Finance costs	*5*	**(4,212)**	(4,745)
Share of profit/(loss) of associates		**1,798**	(2,586)
Profit before income tax	*6*	**250,698**	93,331
Income tax expense	*7*	**(49,876)**	(14,889)
Profit after income tax from continuing operations		**200,822**	78,442
Discontinued operations:			
Profit for the period from discontinued operations	*8*	**–**	231,493
Profit for the period		**200,822**	309,935
Other comprehensive income			
– Exchange gain on translation of financial statements of foreign operations		**4,854**	11
– Changes in fair value of available-for-sale financial assets		**(458,203)**	924,729
Other comprehensive income for the period		**(453,349)**	924,740
Total comprehensive income for the period		**(252,527)**	1,234,675
Profit for the period attributable to:			
Owners of the Company		**196,501**	306,926
Non-controlling interests		**4,321**	3,009
		200,822	309,935
Total comprehensive income for the period attributable to:			
Owners of the Company		**(257,027)**	1,231,664
Non-controlling interests		**4,500**	3,011
		(252,527)	1,234,675

	Notes	Six months ended 30 June 2010 (Unaudited)	2009 (Unaudited)
Earnings per share attributable to owners of the Company during the period			
From continuing and discontinued operations	*10*		
– Basic		**HK cents 5.46**	HK cents 8.67
– Diluted		**HK cents 5.35**	HK cents 8.59
From continuing operations	*10*		
– Basic		**HK cents 5.46**	HK cents 2.13
– Diluted		**HK cents 5.35**	HK cents 2.11
From discontinued operations	*10*		
– Basic		**N/A**	HK cents 6.54
– Diluted		**N/A**	HK cents 6.48

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2010

	Notes	30 June 2010 HK$'000 (Unaudited)	31 December 2009 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**186,178**	179,803
Investment properties		**74,708**	74,708
Prepaid land lease payments		**26,539**	25,784
Goodwill		**621,382**	621,382
Interests in associates	*11*	**38,697**	343,277
Available-for-sale financial assets		**982,512**	1,440,715
Prepayments and deposits		**2,408**	2,406
Deferred tax assets		**1,221**	1,207
		1,933,645	2,689,282
Current assets			
Inventories		**315,339**	264,234
Trade and bill receivables	*12*	**184,869**	152,675
Prepaid land lease payments		**610**	602
Prepayments, deposits and other receivables		**571,134**	34,403
Financial assets at fair value through profit or loss		**81,539**	82,482
Cash and cash equivalents		**198,657**	257,404
		1,352,148	791,800
Current liabilities			
Trade and bill payables	*13*	**109,313**	125,263
Other payables and accruals		**129,186**	125,745
Dividend payables		**151,509**	17,600
Tax payables		**76,839**	130,859
Derivative financial instruments		**19**	816
Borrowings		**151,938**	104,715
		618,804	504,998
Net current assets		**733,344**	286,802
Total assets less current liabilities		**2,666,989**	2,976,084
Non-current liabilities			
Borrowings		**14,644**	17,818
Net assets		**2,652,345**	2,958,266

	Notes	**30 June 2010** *HK$'000* **(Unaudited)**	31 December 2009 *HK$'000* (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital		**369,535**	354,268
Proposed dividends		**55,430**	145,250
Reserves		**2,209,249**	2,442,266
		2,634,214	2,941,784
Non-controlling interests		**18,131**	16,482
Total equity		**2,652,345**	2,958,266

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

1. BASIS OF PREPARATION

The unaudited interim financial information ("The Unaudited Interim Financial Information") of the Group have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "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 2010 was approved for issue by the board of directors on 24 August 2010.

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 2009 (the "2009 Annual Financial Statements"), except for the adoption of the new or amended Hong Kong Financial Reporting Standards ("HKFRSs"), which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int") as disclosed below. The Unaudited Interim Financial Information should be read in conjunction with the 2009 Annual Financial Statements.

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 2010.

HKFRS 3 (Revised 2008)	Business Combinations
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
Various	Annual improvements to HKFRSs 2009

Other than as noted below, 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.

HKFRS 3 (Revised 2008) Business Combinations ("HKFRS 3R")

HKFRS 3R introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The most significant changes in the revised HKFRS 3R that had an impact on the Group's acquisitions in 2010 are as follows:

– Acquisition-related costs of the combination are recorded as an expense in profit or loss. Previously, these costs would have been accounted for as part of the cost of the acquisition.

– The assets acquired and liabilities assumed are generally measured at their acquisition-date fair values unless HKFRS 3R provides an exception and provides specific measurement rules.

– Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously, contingent consideration was recognised at the acquisition date only if its payment was probable.

HKFRS 3R has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. Business combinations for which the acquisition date is before 1 January 2010 have not been restated. The adoption of HKFRS 3R did not have an impact in the Unaudited Interim Financial Information.

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements ("HKAS 27R")

The adoption of HKFRS 3R required that the HKAS 27R is adopted at the same time. HKAS 27R introduced changes to the accounting requirements for transactions with non-controlling interests (formerly called "minority interests") and the loss of control of a subsidiary. Similar to HKFRS 3R, the adoption of HKAS 27R is applied prospectively. The Group did not have transactions with non-controlling interests in the current period and did not dispose of any of its equity interests in its subsidiaries. Therefore, the adoption of HKAS 27R did not have an impact in the Unaudited Interim Financial Information.

Annual improvements to HKFRSs 2009 ("2009 Improvements")

The 2009 Improvements made several minor amendments to HKFRSs. The only amendment relevant to the Group relates to HKAS 17 Leases. The amendment requires that leases of land are classified as finance or operating applying the general principles of HKAS 17. Prior to this amendment, HKAS 17 generally required a lease of land to be classified as an operating lease.

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 as follows:

(a) manufacture and distribution of watches and timepieces;

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

(c) property investment; and

(d) 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 2010

	Watches and timepieces *HK$'000* (Unaudited)	Enamelled copper wires *HK$'000* (Unaudited)	Property investment *HK$'000* (Unaudited)	Yacht *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Segment revenue and income :					
Sales to external customers	**346,818**	**349,845**	**5,707**	**9,691**	**712,061**
Other income and financial income	**381**	**78**	**961**	**112**	**1,532**
Total	**347,199**	**349,923**	**6,668**	**9,803**	**713,593**
Segment results	**94,611**	**8,265**	**584**	**(40)**	**103,420**
Unallocated corporate income and expenses, net					**(24,204)**
					79,216
Share of profit of associates					**1,798**
Gain on disposals of an associate					**177,711**
Finance costs					**(4,212)**
Equity-settled share-based compensation					**(3,815)**
Profit before income tax					**250,698**
Income tax expense					**(49,876)**
Profit for the period from continuing operations					**200,822**
Profit for the period from discontinued operations					**–**
Profit for the period					**200,822**

Six months ended 30 June 2009

	Watches and timepieces *HK$'000* (Unaudited)	Enamelled copper wires *HK$'000* (Unaudited)	Property investment *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Segment revenue and income :				
Sales to external customers	243,553	191,061	2,744	437,358
Other income and financial income	932	1,709	10	2,651
Total	244,485	192,770	2,754	440,009
Segment results	71,407	10,140	4,783	86,330
Unallocated corporate income and expenses, net				22,117
				108,447
Share of loss of associates				(2,586)
Finance costs				(4,745)
Equity-settled share-based compensation				(7,785)
Profit before income tax				93,331
Income tax expense				(14,889)
Profit for the period from continuing operations				78,442
Profit for the period from discontinued operations (note 8)				231,493
Profit for the period				309,935

Over 90% of the Group's revenues from external customers and non-current assets (other than financial instruments and deferred tax assets) are attributable to a single geographical region, which is the People's Republic of China ("PRC").

During the period, HK$264,000,000 or 37% (six months ended 30 June 2009: HK$124,286,000 or 28%) of the Group's revenues were derived from a single customer, Citychamp Dartong Company Limited ("Citychamp"), in enamelled copper wires segment. Citychamp is the joint venturer of the Group's joint controlled entity and a company listed in the Shanghai Stock Exchange in the PRC.

At 30 June 2010, HK$72,337,000 (At 31 December 2009: HK$48,793,000) of the Group's trade and bill receivables was due from Citychamp.

4. 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	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Sale of goods	**706,354**	434,614
Gross rental income	**5,707**	2,744
	712,061	437,358

5. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Interests on bank and other loans wholly repayable within five years	**4,212**	4,745

6. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Depreciation	**7,683**	6,428
Amortisation of prepaid land lease payments	**126**	126
Gain on derivative financial instruments	**(797)**	(7,091)

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 2009: 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 2009: between 20% 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.

8. DISCONTINUED OPERATIONS

Since 2007, the Group had significantly scaled down the manufacture and distribution of timber products (the "Discontinued Timber Business") due to the resumption of a land in the PRC and it had been classified as discontinued operations in the Group's financial statements since then. For the six months ended 30 June 2009, the Discontinued Timber Business had been classified as discontinued operations in the Group's condensed consolidated statement of comprehensive income.

For the six months ended 30 June 2010, the Discontinued Timber Business had been fully suspended and therefore no income and expenses were classified as discontinued operations in the Group's condensed consolidated statement of comprehensive income for the period.

An analysis of the unaudited results of the Discontinued Timber Business for the six months ended 30 June 2009 was as follows:

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

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

	Six months ended 30 June 2009 *HK$'000* (Unaudited)
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

9. DIVIDENDS

9.1 Dividends attributable for the six months ended 30 June 2010 were as follows:

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim dividend of HK1.5 cents per share (Six months ended 30 June 2009: HK1.0 cent)	**55,430**	35,420

The interim dividend declared after the reporting date has not been recognised as a liability at the reporting date, but is reflected as an appropriation of retained profits and share premium.

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Final 2009 dividend in respect of the previous financial year of HK4.1 cents per share (Six months ended 30 June 2009: Final 2008 dividend of HK2.5 cents per share)	**151,509 ***	88,551

* The actual final dividend payable for six months ended 30 June 2010 was HK$151,509,000 as a result of increase in ordinary shares. During the six months ended 30 June 2010, 45,855,000 ordinary shares were issued as a consequence of exercise of share options and 106,815,620 ordinary shares were issued from share placement. All these ordinary shares issued during the period are entitled to the final 2009 dividend.

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share:		
– Continuing operations	**196,501**	75,432
– Discontinued operations	**–**	231,494
Total profit from continuing and discontinued operations	**196,501**	306,926

	Number of shares Six months ended 30 June 2010 '000 (Unaudited)	2009 '000 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,597,494**	3,542,031
Effect of dilutive potential ordinary shares: – share options issued by the Company	**73,757**	28,380
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,671,251**	3,570,411

11. INTERESTS IN ASSOCIATES

During the six months ended 30 June 2010, the Group has entered into an agreement ("Agreement") with an independent third party (the "Purchaser") to dispose of its 30% equity interests in an associate, Shenzhen Guanyang Real Estate Co., Limited ("Guanyang Real Estate"), at a cash consideration of RMB186,000,000 (equivalent to HK$211,364,000). A gain on disposals of Guanyuang Real Estate of HK$177,711,000 was recognised in the profit or loss for the six months ended 30 June 2010 (Six months ended 30 June 2009: Nil).

Gain on disposals of an associate for the six months ended 30 June 2010 was analysed as follows:

	Six months ended 30 June 2010 *HK$'000* (Unaudited)
Proceeds from disposals of Guangyang Real Estate	**211,364**
Less: Carrying amount of interests in Guanyang Real Estate at the date of disposal	**(33,653)**
	177,711

Pursuant to the Agreement, the Purchaser also agreed to assume the liabilities due to the Group by Guanyang Real Estate of RMB240,000,000 (equivalent to HK$275,862,000). As the total amount due from the Purchaser of HK$489,655,000 is expected to be recoverable within 12 months from the reporting date, the balance is reclassified as a current asset under other receivables.

12. TRADE AND BILL RECEIVABLES

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

	30 June 2010 *HK$'000* **(Unaudited)**	31 December 2009 *HK$'000* (Audited)
1 to 3 months	**177,635**	138,358
4 to 6 months	**3,246**	10,689
Over 6 months	**3,988**	3,628
	184,869	152,675

13. TRADE AND BILL PAYABLES

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

	30 June 2010 *HK$'000* **(Unaudited)**	31 December 2009 *HK$'000* (Audited)
1 to 3 months	**99,399**	118,609
4 to 6 months	**1,999**	449
Over 6 months	**7,915**	6,205
	109,313	125,263

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

For the six months ended 30 June 2010, the Group recorded an unaudited revenue of approximately HK$712,061,000 (for the six months ended 30 June 2009: HK$441,894,000), representing an increase of HK$270,167,000 compared with the corresponding period last year. Net profit attributable to equity holders for the period was approximately HK$196,501,000, representing a decrease of HK$110,425,000 compared with the corresponding period last year. Having set apart the financial impact of the discontinued operations, the Group should have had an increase of profit from continuing operations of HK$122,380,000 compared with the corresponding period last year.

BUSINESS REVIEW

(1) Watches and timepieces business

EBOHR Luxuries International Company Limited ("EBOHR"), a wholly-owned subsidiary of the Group and its directly owned subsidiaries ("EBOHR Group"), achieved satisfactory results in the first half of 2010. Revenue for the first half of 2010 was HK$163,884,000, an increase of HK$44,382,000, or 37%, from HK$119,502,000 for the same period last year. Net profit after tax for the first half of 2010 was HK$26,833,000 compared with HK$23,073,000 for the same period in 2009, an increase of HK$3,760,000, or 16%.

Revenue increased by 37% to HK$163,884,000 while the net profit after tax increased by only 16% to HK$26,833,000 due to additional expense for the new product development and the initial expenses of the new company of approximately HK$12,400,000 incurred by Swiss Chronometric SA ("Swiss Chronometric"), a wholly owned subsidiary of EBOHR in Switzerland.

With the support of a leading Swiss watch designer and a leading watch OEM in Switzerland, Swiss Chronometric has developed the Codex brand, the brand for high-end mechanical watches, designed and produced watches in Switzerland. Besides, Swiss Chronometric has established a distribution outlet in Lucerne of Switzerland and commenced distribution of the Codex watches on 1 July 2010. The Swiss outlet initially distributes the Swiss-made watches under the Codex brand, and in the third quarter of 2010, the Swiss outlet will distribute the Mainland China-made watches of sophisticated mechanical movement and precious case.

It is the mission of Swiss Chronometric to make Codex as an international brand and establish an international distribution network. Such international distribution network will also distribute EBOHR's PAMA and KANA and other premium ranges of EBOHR and Zhuhai Rossini Watch Industry Ltd. With the Codex brand, EBOHR owns a total of 4 domestic and foreign brands across the wide spectrum of price ranges. This will clearly enhance EBOHR's brand portfolio to compete in the fast growing Mainland China market. Growing revenue from the Codex brand in the second half of 2010 will help maintain the Company's average selling price and gross margin.

EBOHR has started manufacturing tourbillon watches and watches of sophisticated mechanical movements and Swiss Chronometric will assist in the distribution of such products in the international markets.

In the production of PAMA and KANA watches, EBOHR applies Swiss equipment and expertise, recruits technical staff, and expands product lines and production capacity to cater for the increasingly strong demand in the Mainland China.

During the period, EBOHR has consolidated its distribution outlets in the first-tier cities and increased its numbers in the second and third tier-cities in Mainland China with an overall increase of 76 outlets.

EBOHR has been awarded China's 500 most valuable brands of the year 2010 by the World Brand Laboratory. EBOHR has also been granted the Platinum Award for Excellence and Business Prestige by Quality Summit New York 2010.

Zhuhai Rossini Watch Industry Ltd. ("Rossini"), a 91% subsidiary of the Group, and its directly owned subsidiaries ("Rossini Group") also achieved satisfactory result in the first half of 2010. Revenue for the first half of 2010 was HK$159,482,000, an increase of HK$35,431,000, or 29%, from HK$124,051,000 for the same period last year. Net profit after tax for the first half of 2010 was HK$43,217,000 compared with HK$29,408,000 for the same period in 2009, an increase of HK$13,809,000, or 47%.

Rossini has consolidated its distribution outlets in the first-tier cities and increased its numbers in the second and third tier-cities in Mainland China with an overall increase of 108 outlets.

Rossini has put tremendous efforts on improving its advertising materials and equipment in the department stores so as to enhance the brand image of Rossini. Coupled with the advertisement campaign through the central television, magazine and billboard, revenue from the sale through department stores was significantly improved.

Rossini has established a technical centre and a laboratory, focusing on the development of new product lines, the durability of products and the quality improvement. Rossini has put significant effort on developing high quality new products of different kinds, such as sophisticated mechanical movement watch, thin mechanical movement watch, tourbillon watch and Eco-Drive radio watch. These new products become sought-after kinds of watches. As such, Rossini is becoming more popular and influential in Mainland China and overseas. Rossini has been ranked top in term of revenue generated for the past eight consecutive years among the local watches.

Rossini has been awarded China's 500 most valuable brands and Asia's 500 most valuable brands of the year 2010 by the World Brand Laboratory. Rossini is the only watch company from Mainland China that obtained the latter award and the value of the brand is the highest among all the local watch brands.

Moreover, Rossini has developed its spectacles frame brand and established a comprehensive network of over 80 outlets.

Shenzhen Permanence Commerce Co., Ltd. ("Permanence"), a 60% owned subsidiary of the Company, focusing on distribution of Citizen, Casio and Calvin Klein watches contributed revenue and net profit after tax of approximately HK$23,452,000 and HK$848,000 respectively in the first half of 2010. Revenue and net profit after tax increased in line with the expanded distribution network.

(2) Sale of equity interests in Shenzhen Guanyang

On 28 June 2010, Shenzhen Seti Trading Development Company Limited ("Seti Trading"), a wholly-owned subsidiary of the Company, sold the 30% equity interest of Shenzhen Guanyang Real Estate Co., Limited ("Shenzhen Guanyang") at a consideration of RMB186 million and the purchaser agreed to repay the shareholder's loan of RMB240 million to Seti Trading if Shenzhen Guanyang fails to do so.

Shenzhen Guanyang was a joint venture 70% owned by Citychamp Dartong Company Limited ("Citychamp Dartong") and 30% by Seti Trading. It owned 50% of the land that was previously belonged to the timber business segment of the Company.

Seti Trading's 30% share of the net asset value of Shenzhen Guanyang was approximately RMB29.6 million. With the consideration of RMB186 million, the Company recognized an unaudited gain on disposal of approximately RMB156.4 million. The proceeds from the disposal would be applied to the development of the watch distribution network and production capacity.

(3) Enamelled copper wires business

Fuzhou Dartong Mechanic and Electronic Co. Ltd. ("Fuzhou Dartong"), a 49% owned joint venture of the Group contributed revenue and net profit after tax of approximately HK$349,845,000 and HK$4,245,000 respectively in the first half of 2010. Revenue and net profit after tax increased in line with the expanded production capacity and the established reputation.

Jiangsu Dartong M&E Co. Ltd. ("Jiangsu Dartong"), a 25.58% owned associated company of the Group recorded contributions of approximately HK$2,236,000 in the first half of 2010.

Both companies put tremendous efforts on developing profitable customers and adjusting product mix so as to improve revenue and profitability. Good customers with good profitability and potential were developed while the low profitability customers were phased out. Besides, the proportion of premium range of copper wire was increased. The new products related to wind power generator were accepted by leading multinational customers.

The improvement in revenue and profitability is due to the incentive system applied to the sale and marketing staff. Both companies also implemented incentive system based on profitability rather than sale. It resulted in higher profitability.

(4) Investment in Citychamp Dartong

During the half year under review, the Group recorded a cash dividend of HK$5,172,000 and 18,123,860 bonus shares from Citychamp Dartong. Such bonus shares are derived from long term investment and hence are recorded in the reserves rather than profit for the year.

As at 30 June 2010, the Group owned 108,743,161 shares, accounting for 14.78% of the total share capital of Citychamp Dartong. Based on the market price on 30 June 2010, the value of the share was HK$982,438,000.

The lock-up period was expired on 22 May 2010 and the Company considers to gradually sell the shares over a period of time.

(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 2010, the Group had non-pledged cash and bank balances of approximately HK$198,657,000. Based on the bank loans of HK$166,582,000 and shareholders' equity of HK$2,634,214,000, the Group's gearing ratio (being loans divided by Shareholders' equity) was 6%.

The Group's bank loans were denominated in Reminbi and Hong Kong dollars. As at 30 June 2010, the Group's bank loans amounted to HK$166,582,000.

(2) Charge on Assets

Banking facilities of the Group were secured by the Group's buildings with carrying amount of HK$911,000 and investment properties in Tai Hang with carrying amount of HK$15,500,000.

(3) Capital commitments

In October 2009, the Group undertook to take up its rights entitlement in full under the rights issue proposed by Citychamp (the "Citychamp Rights Issue") at a cash consideration of not more than RMB236,513,373 (equivalent to approximately HK$268,769,000). The Citychamp Rights Issue was subject to approval form the relevant PRC government authorities. As at 31 December 2009, the Citychamp Rights Issue was not completed.

In June 2010, the board of directors of Citychamp has resolved not to proceed with the Citychamp Rights Issue in light of the recent measures on the property sector implemented by the PRC government. As at 30 June 2010, the termination of the Citychamp Rights Issue was subject to approval from the shareholders of Citychamp.

At the general meeting held in July 2010, the shareholders of Citychamp have resolved to terminate the Citychamp Rights Issue.

(4) Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2010.

PROSPECTS

Salary increases have been spreading rapidly across Mainland China. The fast expansion of the middle class is a critical driver for the economy to transform from an infrastructure-driven one to a consumption-driven one.

There is a positive consumer feedback loop from higher employee pay packers. Higher salary translate into higher disposable household income and rising purchasing power and consumption.

Both EBOHR and Rossini are beneficiaries as their watches are affordable to Mainland China's general public and they require low labor-cost contribution. They are industry cost leaders who can offset rising wages with improved productivity. Besides, they can pass on rising labor costs to final product prices by increasing the average selling prices and volume. The average selling prices increase at around 5% annually and revenue increase at around 30% annually over the last three years.

Salary increases may ripple through the entire working class population, which would trigger a more widespread and pronounced boost in overall consumption in the medium term. The demand for watches from EBOHR and Rossini is expected to be growing significantly.

The growth outlook in the next few years is promising given the strong brands well known all over Mainland China and aggressive store expansion in 2-tier and 3-tier cities that is estimated to be about 15% annually. Coupled with the currently low per capita watch consumption and rising urbanization, the domestic watch market is promising and the Company will benefit from the continuous growth and achieve relatively high growth in the future.

Looking ahead, the Group continues to invest in its successful organic growth strategy through the existing watch entities, i.e., EBOHR, Rossini, Permanence and Swiss Chronometric. The ultimate goal is to build a comprehensive portfolio of companies specializing in manufacturing watches and distribution of the proprietary brands and non-proprietary brands in Mainland China and overseas. The cash inflow from potential divestment of non-core businesses will provide funds to achieve the ultimate goal.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2010, the Group had approximately 2,500 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.

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.

DIVIDENDS AND CLOSURE OF REGISTER OF MEMEBERS

The Board recommended the payment of an interim dividend of HK1.5 cents per share for the six months ended 30 June 2010 (Six months ended 30 June 2009: HK1.0 cent).

The register of members of the Company will be closed from 4 October 2010 to 8 October 2010, both days inclusive, during which period no transfer of share will registered. In order to qualify for the interim 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 Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 30 September 2010.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30 June 2010, 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 28 May 2010 due to his business trip outside Hong Kong.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") of the Listing Rules 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 2010.

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 interim financial statements for the six months ended 30 June 2010. 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.

APPRECIATION

The Group's impressive performance in the past period was the result of the dedicated work by the management and its staff. The Board 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
China Haidian Holdings Limited
Hon Kwok Lung
Chairman

Hong Kong, 24 August 2010

As at the date of this announcement, the Board comprises Mr. Hon Kwok Lung, Mr. Shang Jianguang, Mr. Shi Tao, Mr. Lam Toi Man and Mr. Bi Bo 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.