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 2010

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 2010 together with the consolidated statement of financial position of the Group as at 31 December 2010, and the notes with comparative figures for the year ended 31 December 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Continuing operations:			
Revenue	5	**800,604**	574,565
Cost of sales		**(307,030)**	(204,410)
Gross profit		**493,574**	370,155
Other income		**8,160**	3,555
Selling and distribution expenses		**(205,511)**	(153,310)
Administrative expenses		**(150,211)**	(112,576)
Gain on fair value changes in financial assets at fair value through profit or loss, net		**6,669**	42,234
Net surplus on revaluation of investment properties		**13,004**	5,102
Dividend income from available-for-sale financial assets		**5,172**	8,238
Gain on disposal of an associate	13	**177,711**	–
Financial income	6	**2,332**	1,909
Finance costs	7	**(1,811)**	(2,669)
Share of profit of associates		**6,979**	1,877
Profit before income tax	8	**356,068**	164,515
Income tax expense	9	**(82,349)**	(31,380)
Profit after income tax from continuing operations		**273,719**	133,135
Discontinued operations:			
Profit for the year from discontinued operations	10.4	**7,063**	236,481
Profit for the year		**280,782**	369,616
Other comprehensive income			
– Exchange gain on translation of financial statements of foreign operations		**28,948**	11
– Changes in fair value of available-for-sale financial assets		**(327,623)**	1,027,705
Other comprehensive income for the year		**(298,675)**	1,027,716
Total comprehensive income for the year		**(17,893)**	1,397,332

	Notes	2010 HK$'000	2009 HK$'000
Profit for the year attributable to:			
Owners of the Company		**271,566**	362,561
Non-controlling interests		**9,216**	7,055
		280,782	369,616
Total comprehensive income for the year attributable to:			
Owners of the Company		**(27,672)**	1,390,275
Non-controlling interests		**9,779**	7,057
		(17,893)	1,397,332
Earnings per share attributable to owners of the Company during the year	12		
From continuing and discontinued operations			
– Basic		**HK cents 7.42**	HK cents10.24
– Diluted		**HK cents 7.21**	HK cents 9.98
From continuing operations			
– Basic		**HK cents 7.23**	HK cents 3.56
– Diluted		**HK cents 7.02**	HK cents 3.47
From discontinued operations			
– Basic		**HK cent 0.19**	HK cents 6.68
– Diluted		**HK cent 0.19**	HK cents 6.51

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**87,777**	179,803
Investment properties		**87,712**	74,708
Prepaid land lease payments		**27,980**	25,784
Goodwill		**621,382**	621,382
Interests in associates		**158**	343,277
Available-for-sale financial assets		**1,113,095**	1,440,715
Intangible assets		**10,397**	–
Prepayments and deposits		**2,397**	2,406
Deferred tax assets		**1,250**	1,207
		1,952,148	2,689,282
Current assets			
Inventories		**428,831**	264,234
Trade and bill receivables	14	**113,762**	152,675
Prepaid land lease payments		**667**	602
Prepayments, deposits and other receivables		**160,969**	34,403
Financial assets at fair value through profit or loss		**91,764**	82,482
Cash and cash equivalents		**837,872**	257,404
		1,633,865	791,800
Non-current asset held for sale	10.6	**43,729**	–
Assets of a disposal group classified as held for sale	10.5	**257,344**	–
		1,934,938	791,800
Current liabilities			
Trade and bill payables	15	**123,696**	125,263
Other payables and accruals		**135,846**	125,745
Dividend payables		**644**	17,600
Tax payables		**86,726**	130,859
Derivative financial instruments		**–**	816
Borrowings		**35,353**	104,715
Due to related companies		**26,230**	–
		408,495	504,998
Liabilities of a disposal group classified as held for sale	10.5	**164,704**	–
		573,199	504,998
Net current assets		**1,361,739**	286,802
Total assets less current liabilities		**3,313,887**	2,976,084

	Notes	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Borrowings		–	17,818
Net assets		**3,313,887**	2,958,266
EQUITY			
Equity attributable to owners of the Company			
Share capital		**409,007**	354,268
Proposed dividend		**143,153**	145,250
Reserves		**2,732,622**	2,442,266
		3,284,782	2,941,784
Non-controlling interests		**29,105**	16,482
Total equity		**3,313,887**	2,958,266

1. GENERAL INFORMATION

China Haidian Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. Its registered office address is P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands and its principal place of business is Units 1902-04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the principal activities of the Company and its subsidiaries (together referred to as the "Group") include:

– Manufacture and distribution of watches and timepieces

– Property investments

– Distribution of yachts (established during the year)

The principal activities of the Group's jointly-controlled entity, namely Fuzhou Dartong Machinery and Electronic Company Limited ("Fuzhou Dartong"), are manufacture and distribution of enamelled copper wires. Since the second half of 2010, the Group's management has commenced a plan to dispose of its manufacture and distribution of enamelled copper wires businesses. In December 2010, the Group's management committed to a plan to sell its 49% equity interests in Fuzhou Dartong and the Group's 25.58% equity interest in an associate, namely Jiangsu Dartong M&E Co. Limited ("Jiangsu Dartong"), which is also principally engaged in the manufacture and distribution of enamelled copper wires.

As management considers that the disposals of Fuzhou Dartong and Jiangsu Dartong are highly probable as at 31 December 2010. In accordance with HKFRS 5, the Group has reclassified:

(a) the assets and liabilities of Fuzhou Dartong as at 31 December 2010 as assets/liabilities of a disposal group classified as held for sale in the Group's consolidated statement of financial position;

(b) the interests in Jiangsu Dartong as at 31 December 2010 as non-current asset held for sale in the Group's consolidated statement of financial position; and

(c) the income and expenses of Fuzhou Dartong for the years ended 31 December 2010 and 2009 as discontinued operation in the Group's consolidated statement of comprehensive income.

The manufacture and distribution of enamelled copper wires businesses are referred to as the Discontinued Enamelled Copper Wires Business hereinafter.

On 6 January 2011, the Group entered into 2 transfer agreements with Honour Aim Limited ("Honour Aim"), a company ultimately beneficially wholly-owned by Mr. Hon Kwok Lung, the chairman and executive director of the Company, in respect of the disposals of Fuzhou Dartong and Jiangsu Dartong, under which:

(a) The Company agreed to sell its 49% equity interest in Fuzhou Dartong to Honour Aim for a consideration of HK$93,342,000 (the "Fuzhou Dartong Agreement").

(b) The Company agreed to sell its 25.58% equity interest in Jiangsu Dartong to Honour Aim for a consideration of HK$40,768,000 (the "Jiangsu Dartong Agreement").

The Fuzhou Dartong Agreement and Jiangsu Dartong Agreement constitute major and connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and are subject to approval from the Company's independent shareholders, details of which have been set out in the Company's circular dated 22 February 2011.

It was resolved in the extraordinary general meeting held on 9 March 2011 that the Fuzhou Dartong Agreement and the Jiangsu Dartong Agreement had already obtained the approval from the independent shareholders by way of poll.

Other than the Discontinued Enamelled Copper Wire Business as described above, there were no other significant changes in the Group's operations during the year. The Group's principal places of the business are in Hong Kong and the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

2.3 Functional and presentation currency

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

3. ADOPTION OF NEW OR REVISED 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 2010:

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as explained below, the adoption of the new/revised standards and interpretations has no significant impact on the Group's financial statements.

HKFRS 3 (Revised) – Business Combinations and HKAS 27 (Revised) – Consolidated and Separate Financial Statements

The revised accounting policies are effective prospectively for business combinations effected in financial periods beginning on or after July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has no impact to the financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact in the current year.

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

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[2&3]
Amendments to HKAS 32	Classification of Right Issues[1]
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets[4]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[5]
HKFRS 9	Financial Instruments[6]

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

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

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

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.

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

4. SEGMENT INFORMATION

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

(a) manufacture and distribution of watches and timepieces;

(b) property investments; and

(c) distribution of yachts (established during the year).

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

As mentioned in note 1, during the year, the Group has commenced a plan to dispose of its 49% equity interests in Fuzhou Dartong, which is principally engaged in the manufacture and distribution of enamelled copper wire business (also referred to as the "Discontinued Enamelled Copper Wire Business"). In accordance with HKFRS 5, the Discontinued Enamelled Copper Wire Business for the years ended 31 December 2010 and 2009 were classified as discontinued operations in the Group's financial statements. Further details regarding the results of the Discontinued Enamelled Copper Wire Business are set out in note 10.4 to the annual results announcement.

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. The Discontinued Timber Business had been classified as discontinued operations in the Group's financial statements since 2007. Further details regarding the results of the Discontinued Timber Business are set out in notes 10.3 and 10.4 to the annual results announcement.

Inter-segment sales are charged at prevailing market prices.

2010

	Watches and timepiece HK$'000	Property investment HK$'000	Yacht HK$'000	Total HK$'000
Segment revenue and income:				
Sales to external customers	776,216	10,016	14,372	800,604
Other income and financial income	3,148	1,814	920	5,882
Total	779,364	11,830	15,292	806,486
Segment results	213,161	13,545	169	226,875
Unallocated corporate income and expenses, net				(46,055)
				180,820
Share of profit of associates				6,979
Gain on disposals of an associate				177,711
Finance costs				(1,811)
Equity-settled share-based compensation				(7,631)
Profit before income tax				356,068
Income tax expense				(82,349)
Profit for the year from continuing operations				273,719
Profit for the year from discontinued operations (note 10.4)				7,063
Profit for the year				280,782
Segment assets	776,230	88,664	61,397	926,291
Goodwill				621,382
Interests in associates				158
Available-for-sale financial assets				1,113,095
Financial assets at fair value through profit or loss				91,764
Non-current assets held for sale				43,729
Assets of a disposal group classified as held for sale				257,344
Unallocated corporate assets				833,323
				3,887,086
Segment liabilities	233,741	15,398	887	250,026
Borrowings				35,353
Due to related companies				26,230
Liabilities of a disposal group classified as held for sale				164,704
Unallocated corporate liabilities				96,886
				573,199
Other segment information				
Interest income	(294)	–	(3)	(297)
Depreciation and amortisation of prepaid land lease payments	8,749	2,309	31	11,089
Net surplus on revaluation of investment properties	–	(13,004)	–	(13,004)

2009

	Watches and timepiece HK$'000	Property investment HK$'000	Total HK$'000
Segment revenue and income:			
Sales to external customers	569,114	5,451	574,565
Other income and financial income	4,630	6	4,636
Total	573,744	5,457	579,201
Segment results	172,699	6,195	178,894
Unallocated corporate income and expenses, net			1,983
			180,877
Share of profit of associates			1,877
Finance costs			(2,669)
Equity-settled share-based compensation			(15,570)
Profit before income tax			164,515
Income tax expense			(31,380)
Profit for the year from continuing operations			133,135
Profit for the year from discontinued operations (note 10.4)			236,481
Profit for the year			369,616
Segment assets	547,023	76,027	623,050
Goodwill			621,382
Interests in associates			343,277
Available-for-sale financial assets			1,440,715
Financial assets at fair value through profit or loss			82,482
Segment assets of Discontinued Enamelled Copper Wire Business			242,661
Unallocated corporate assets			127,515
			3,481,082
Segment liabilities	140,995	14,041	155,036
Borrowings			122,533
Segment liabilities of Discontinued Enamelled Copper Wire Business			65,234
Unallocated corporate liabilities			180,013
			522,816
Other segment information			
Interest income	(525)	–	(525)
Depreciation and amortisation of prepaid land lease payments	5,485	12	5,497
Net surplus on revaluation of investment properties	–	(5,102)	(5,102)

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

	Revenue from external customers (including continuing and discontinued operations)		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (domicile)	**14,492**	120	**24,589**	21,375
PRC	**1,480,647**	1,052,920	**799,586**	1,225,985
Other locations	**1,584**	–	**13,628**	–
	1,496,723	1,053,040	**837,803**	1,247,360

The geographical location of customers is based on the location at which the goods are delivered. The geographical location of the non-current assets is based on the physical location of the asset.

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:

	2010	2009
	HK$'000	HK$'000
Revenue on continuing operations		
Sales of goods	**790,588**	569,114
Gross rental income	**10,016**	5,451
	800,604	574,565

6. FINANCIAL INCOME

	2010	2009
	HK$'000	HK$'000
Financial income on continuing operations		
Bank interest income	**1,675**	1,121
Dividend income from financial assets at fair value through profit or loss	**657**	788
	2,332	1,909

7. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Continuing operations		
Interest charged on bank and other loans wholly repayable within five years	**1,811**	2,669

8. PROFIT BEFORE INCOME TAX

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

	2010 HK$'000	2009 HK$'000
Continuing operations		
Cost of inventories recognised as expense	**307,030**	204,410
Impairment loss on trade receivables (included in administrative expenses)	**–**	259
Depreciation (note a)	**12,573**	7,441
Amortisation of prepaid land lease payments	**588**	1,444
Amortisation of intangible assets	**1,336**	–
Net foreign exchange (gain)/loss	**(1,251)**	774
Minimum lease payments under operating leases in respect of land and buildings	**18,511**	9,261
Auditors' remuneration	**1,580**	1,380
Gross rental income	**(10,016)**	(5,451)
Less: direct operating expenses	**1,920**	1,983
Net rental income	**(8,096)**	(3,468)
Losses on disposals of property, plant and equipment	**113**	63
Gain on disposal of an associate (note b)	**177,711**	–

Note:

(a) Depreciation expense of HK$3,918,000 (2009: HK$5,950,000) has been included in cost of sales, HK$1,056,000 (2009: HK$655,000) in selling and distribution expenses and HK$7,599,000 (2009: HK$836,000) in administrative expenses.

(b) During the year, the Group disposed of its 30% equity interests in an associate, Shenzhen Guanyang Real Estate Co., Limited ("Guanyang Real Estate") and a gain on disposal of HK$177,711,000 has been recognised accordingly.

9. INCOME TAX EXPENSE

For both the years ended 31 December 2010 and 2009, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong.

The subsidiaries established in the PRC are subject to income taxes at tax rates ranging between 13% and 25% (2009: between 20% and 25%).

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

	2010		2009	
	Continuing operations HK$'000	**Discontinued operations HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000
Current tax for the year				
Hong Kong	**8,184**	**–**	1,365	–
PRC	**88,057**	**730**	31,338	61,795
Over-provision in respect of prior years				
PRC	**(13,892)**	**–**	(1,323)	–
Total income tax expense	**82,349**	**730**	31,380	61,795

10. NON-CURRENT ASSET HELD FOR SALE/ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE/DISCONTINUED OPERATIONS

10.1 Discontinued Enamelled Copper Wires Business

As mentioned in note 1, the Group's management committed to dispose of its 49% equity interest in Fuzhou Dartong as at 31 December 2010.

In accordance with HKFRS 5, the Group has reclassified the assets and liabilities of Fuzhou Dartong (the "Disposal Group") as at 31 December 2010 as assets/liabilities of a disposal group classified as held for sale in the Group's consolidated statement of financial position. In addition, the Discontinued Enamelled Copper Wire Business represents separate major line of business, and the operations and cash flows of which can be clearly distinguished from the rest of the Group. The Group has also re-presented the disclosures related to these operations that have been discontinued by the reporting date for the comparatives period. Details of the Discontinued Enamelled Copper Wire Business for the years ended 31 December 2010 and 2009 are set out in note 10.4, and details of the assets/liabilities of a disposal group classified as held for sale are set out in note 10.5.

10.2 Interest in an associate reclassified as non-current asset held for sale

As also mentioned in note 1, the Group committed to dispose of its 25.58% equity interests in its associate, namely Jiangsu Dartong, as at 31 December 2010. In accordance with HKFRS 5, as at 31 December 2010, the interests in Jiangsu Dartong had been included in non-current assets held for sale in the statement of financial position of the Group. Details of the non-current assets held for sale are set out in note 10.6.

10.3 Discontinued Timber Business

As disclosed in the 2009 annual report of the Group and note 4 to the annual results announcement, 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. The Discontinued Timber Business had been classified as discontinued operations in the Group's financial statements since 2007.

As the Discontinued Timber Business had been fully terminated in 2009, no income and expenses from this segment were recognised and classified as discontinued operations during the year.

10.4 An analysis of the Group's results of the discontinued operations for the year ended 31 December 2010, with the comparatives for illustrative purpose, is as follows:

	2010	2009		
	Discontinued Enamelled Copper Wires Business HK$'000	Discontinued Enamelled Copper Wires Business HK$'000	Discontinued Timber Business HK$'000	Total HK$'000
Revenue	**696,119**	471,149	7,326	478,475
Cost of sales	**(694,429)**	(463,159)	(12,522)	(475,681)
Gross profit/(loss)	**1,690**	7,990	(5,196)	2,794
Other income	**24,748**	20,220	2,421	22,641
Selling and distribution expenses	**(3,628)**	(3,265)	(143)	(3,408)
Administrative expenses	**(7,597)**	(8,179)	(19,792)	(27,971)
Financial income	**473**	–	585	585
Finance costs – interest on bank loans wholly repayable within five years	**(7,893)**	(5,928)	(236)	(6,164)
Profit/(loss) before income tax	**7,793**	10,838	(22,361)	(11,523)
Gain on disposals of non-current assets held for sale	**–**	–	309,799	309,799
Income tax expense	**(730)**	(8)	(61,787)	(61,795)
Profit for the year	**7,063**	10,830	225,651	236,481

Gain on disposals of non-current assets held for sale (i.e. the Discontinued Timber Business) for the year ended 31 December 2009 was analysed as follows:

	2010 HK$'000	2009 HK$'000
Proceeds from disposals of the Discontinued Timber Business	**–**	406,818
Carrying amounts of the Discontinued Timber Business	**–**	(85,317)
Other direct expenses related to the disposal	**–**	(11,702)
	–	309,799

All proceeds derived from the disposal of the Discontinued Timber Business had been fully received by the Group in 2009.

10.5 An analysis of the assets and liabilities of the Discontinued Enamelled Copper Wires Business classified as held for sale as at the 31 December 2010 is as follows:

	HK$'000
Assets of a disposal group classified as held for sale:	
Property, plant and equipment	115,497
Prepaid land lease payments	10,809
Inventories	31,871
Trade and bill receivables	61,042
Prepayments, deposits and other receivables	3,355
Cash and cash equivalents	34,770
	257,344
Liabilities of a disposal group classified as held for sale:	
Trade and bill payables	51,078
Other payables and accruals	2,574
Tax payables	560
Derivative financial instruments	544
Borrowings	109,948
	164,704

10.6 An analysis of non-current assets held for sale as at 31 December 2010 is as follows:

	HK$'000
Interest in Jiangsu Dartong, an associate	43,729

11. DIVIDENDS

11.1 Dividend attributable to the year

	2010 **HK$'000**	2009 HK$'000
Interim dividend of HK1.5 cents per share (2009: HK1.0 cent)	**56,161**	35,420
Proposed final dividend of HK3.5 cents per share (2009: HK4.1 cents)	**143,153**	145,250
	199,314	180,670

The final dividend declared after the reporting date has not been recognised as a liability at the reporting date, but reflected as an appropriation of retained profits and share premium for the year ended 31 December 2010.

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

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

* The amount of actual final 2009 dividend paid was HK$151,509,000 as a result of the increase in ordinary shares. During the year, 45,855,000 new ordinary shares were issued as a consequence of exercise of share options and 106,815,620 new ordinary shares were issued from a share placement. All these ordinary shares issued are entitled to the final 2009 dividend.

12. 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:

	2010 HK$'000	2009 HK$'000
Earnings		
Profit attributable to the owners of the Company for the purpose of calculating basic and diluted earnings per share:		
Continuing operations	**264,503**	126,080
Discontinued operations	**7,063**	236,481
Total profit from continuing and discontinued operations	**271,566**	362,561

	2010 Number of shares '000	2009 Number of shares '000
Number of shares		
Weighted average number of shares for the purpose of calculating basic earnings per share	**3,658,250**	3,542,047
Effect of dilutive potential shares:		
– share options issued by the Company	**107,233**	92,142
Weighted average number of shares for the purpose of calculating diluted earnings per share	**3,765,483**	3,634,189

13. GAIN ON DISPOSAL OF AN ASSOCIATE

During the year, the Group disposed of its 30% equity interests in an associate, Guanyang Real Estate to an independent third party for a cash consideration of RMB186,000,000 (equivalent to HK$211,353,000). A gain on disposal of HK$177,711,000 has been recognised accordingly, details of which are analysed as follows:

	HK$'000
Proceeds of disposals of Guanyang Real Estate	211,353
Less: Carrying amount of interests in Guanyang Real Estate upon disposal	(33,642)
	177,711

The disposal proceeds of HK$211,353,000 has been fully received by the Group during the year.

14. 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 one to two months (2009: three months) for major customers. Each customer has a maximum credit limit. Trade debtors with balances that are more than three months overdue are required to settle all outstanding balances before any further credit is granted. In view of the aforementioned and the fact that the Group's trade receivables relate to a wide range of customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	2010 **HK$'000**	2009 HK$'000
1 to 3 months	**103,499**	138,358
4 to 6 months	**6,595**	10,689
Over 6 months	**3,668**	3,628
	113,762	152,675

15. TRADE AND BILL PAYABLES

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

	2010 **HK$'000**	2009 HK$'000
1 to 3 months	**121,557**	118,609
4 to 6 months	**1,314**	449
Over 6 months	**825**	6,205
	123,696	125,263

Trade and bill payables are non-interest-bearing and are normally settled on 60-day terms.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS

For the year ended 31 December 2010, the Group's revenue (continuing and discontinued operations) amounted to HK$1,496,723,000, an increase of HK$443,683,000 over the last year. Gross profit increased by HK$122,315,000 to HK$495,263,000 while net profit attributable to owners decreased by HK$90,996,000 to HK$271,565,000. Earnings per share decreased from HK10.24 cents in 2009 to HK7.42 cents in 2010. Having set apart the financial impact of the discontinued operations for the year of HK$7,063,000 (2009: HK$236,481,000), the Group should have an increase of net profit attributable to owners of HK$138,422,000 from its continuing operations compared with last year.

(1) Watches and timepieces – proprietary brands

Zhuhai Rossini Watch Industry Ltd.

Zhuhai Rossini Watch Industry Ltd. ("Rossini"), a 91% subsidiary of the Group, also achieved satisfactory result in 2010. Revenue was HK$363,315,000, an increase of HK$82,709,000, or 29%, from HK$280,606,000 of last year, contributing net profit of approximately HK$92,168,000 to the Group.

Rossini continued to invest in brand building and develop channels of distribution. Rossini put tremendous efforts on improving its advertising materials and equipment in the department stores so as to enhance the brand image of Rossini. Besides, the promotion vehicle, travelled 60,000 km in last 12 months all over Mainland China, contributed to the brand awareness among the second-tier and third-tier cities. Coupled with the advertisement campaign through the central television, magazine and billboard, revenue from the sale through department stores increased significantly. During the year, Rossini has developed 275 distribution outlets mostly in the second- and third-tier cities and increased from 837 to 1,112 outlets. Cities with relatively higher increase in the number of outlets were Jinan, Nanjing and Shenyang. Rossini also developed the overseas markets such as Germany, Canada, India, Turkey, Singapore and Vietnam.

To cater for sustainable development, Rossini also developed the human resources and made fixed asset investment. In September 2010, Rossini worked with various universities to train students for sales and marketing and precision mechanical movement maintenance in Zhuhai. The talent pool would be important for the sustainable development of Rossini. The construction for the new office and manufacturing and other facilities of Rossini was commenced on 22 November 2010. The new facilities, situated on a land area of 23,000 sqm, are composed of office facilities, manufacturing facilities, museum and tourist attractions. The manufacturing facilities would have a production capacity of 1.4 million watches. The museum and tourist attractions would not only promote the Rossini and related brands but also generate further revenue as they would be two of only a few tourist attractions in Zhuhai. The land price of approximately HK$13,000,000 was paid in 2010 while the construction cost of approximately HK$60,000,000 would be incurred in 2011. The new facilities would be operational by January 2012.

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 obtains the latter award and the value of the brand is the highest among all the local watches brands.

Moreover, Rossini has developed its spectacles frame brand and established a comprehensive network of over 100 outlets.

EBOHR Luxuries International Company Limited

EBOHR Luxuries International Company Limited ("EBOHR"), a wholly-owned subsidiary of the Group, and its directly owned subsidiaries achieved satisfactory result in 2010. Revenue was HK$337,030,000, an increase of HK$65,115,000, or 24%, from HK$271,915,000 of last year, contributing net profit of approximately HK$62,197,000 to the Group.

Revenue increased by 24% to HK$337,030,000 while the net profit after tax decreased by 0.3% to HK$62,197,000 due to additional expense for the new development and the initial expenses of the new company of approximately HK$12,400,000 in the first half year and HK$10,382,000 in the second half year incurred by Swiss Chronometric SA ("Swiss Chronometric"), a wholly owned subsidiary of EBOHR in Switzerland. Swiss Chronometric incurred a loss of HK$18,178,000 in 2010.

As of the end of 2010, four boutique shops were fully operational. These boutique shops sell EBOHR's proprietary brand watches, such as EBOHR, PAMA, KANA and Codex.

During 2010, EBOHR has engaged a leading actress to be an image person for KANA and conducted a series of promotion activities. KANA is now sold through 119 outlets all over Mainland China.

EBOHR has planned for EBOHR Complication, a product line composed of tourbillion watches and watches of sophisticated mechanical movement. Those products would be distributed through the outlet of Swiss Chronometric in Lucerne. EBOHR Complication and Codex would be additional revenue drivers in the near future.

During the year, EBOHR has consolidated its distribution outlets in the first-tier cities and increased its numbers in the second-tier and third-tier cities in Mainland China. The total number of outlets increased by 241 from 901 to 1,142.

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.

Swiss Chronometric

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. The first product line is composed of 18 products through the self-owned distribution outlet in Lucerne of Switzerland starting from 1 July 2010. Among many promotional activities, Codex would participate in the Basel Fair in March 2011. Swiss Chronometric has successfully identified distributors in Europe, US and Russia.

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, EBOHR Complication and other premium ranges of EBOHR and Rossini.

(2) Watches and timepieces – non-proprietary brands

Shenzhen Permanence Commerce Co., Ltd.

Shenzhen Permanence Commerce Co., Ltd. ("Permanence") is developing strongly. It contributed revenue and net profit after tax of HK$51,729,000 and HK$1,491,000 respectively. Revenue and net profit after tax increased in line with the expanded distribution network. Subsequent to the reporting date, the Group acquired the remaining 40% equity interest in Permanence and Permanence became a wholly owned subsidiary of the Group. Permanence would focus on developing outlets for Citizen and Casio in Chongqing, Sichuan and Fujian. As its growth foundation has been firmly developed in 2010, Permanence will contribute more significantly to the Group.

Ruihuang (Chongqing) Watch Co., Ltd.

The Group made a total investment of HK$9,700,000 in Ruihuang (Chongqing) Watch Co., Ltd. ("Ruihuang") in September 2010. Ruihuang, a 51% owned subsidiary of the Group contributed revenue and net loss after tax of approximately HK$24,141,000 and HK$234,000 respectively in 2010. Ruihuang has established the first leading boutique for Longines in Chongqing. Ruihuang distributes Longines, Tissot, Titoni, Enicar and others through the leading department stores in Chongqing. Ruihuang has also established maintenance centre for various imported watches. Ruihuang actively participated in the watch exhibitions such as those in Shenzhen and Hong Kong to strengthen the relationship with watch companies.

Guangdong Juxin Watch Co., Ltd.

The Group has committed to make a total investment of approximately RMB14,000,000 in Guangdong Juxin Watch Co., Ltd. ("Juxin"). Juxin will become a 51% owned subsidiary of the Group. Juxin will distribute Casio, Citizen, Sandos, Rossini, Tianwang, Tissot, Titoni, Swatch and others through the leading department stores in various cities in Guangdong such as Foshan, Guangzhou, Zhongshan, Shaoguan, Qingyuan. Juxin will also establish maintenance centre for various imported watches.

(3) Investment in Citychamp Dartong

During the year, the Group received cash dividend of HK$5,172,000 from Citychamp Dartong Company Limited ("Citychamp Dartong"). On 16 March 2011, Citychamp Dartong announced its results under PRC GAAP for the year ended 31 December 2010. The earnings per share for the year was RMB0.70, which represented an increase of 94% as compared with last year. The annual dividends from Citychamp Dartong and gradual divestment of shares of Citychamp Dartong shares upon expiry of the lock-up period on 22 May 2010 will provide sources of funds for potential watches and timepieces related acquisitions.

(4) 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.

(5) Motor yacht distribution

Starting from 1 February 2010, the Group, through its wholly-owned subsidiary, Chart Victory Limited ("Chart Victory"), acts as the sole distributor of Princess Yachts International plc in Hong Kong.

Four motor yachts were sold, of which two motor yachts were booked in the accounts of 2010. Chart Victory achieved breakeven in the first year of operation.

The distribution of yachts not only enhances our premium price watch segment but also provides an opportunity for the Group to develop experience working with a well-known international brand.

(6) 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 Group, sold its 30% equity interest of Shenzhen Guanyang Real Estate Co., Limited ("Shenzhen Guanyang") at a consideration of RMB186,000,000 and the purchaser agreed to repay the shareholder's loan of RMB240,000,000 to Seti Trading if Shenzhen Guanyang fails to do so.

Shenzhen Guanyang was 70% owned by 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 HK$33,600,000. With the consideration of HK$211,300,000, the Company recognized a gain on disposal before tax of approximately HK$177,700,000. The shareholder's loan of RMB240,000,000 has also been received. The proceeds from the disposal and the repayment of the shareholder's loan would be applied to the development of the watch distribution network and production capacity.

(7) 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$696,119,000 and HK$7,063,000 respectively in 2010. Its revenue increased by 48% while net profit after tax decreased by 35% in 2010. During 2010, Fuzhou Dartong developed additional market share in air-conditioner and vehicle generator and developed closer relationship with leading multinational and leading local companies.

Jiangsu Dartong Mechanic and Electronic Company Ltd. ("Jiangsu Dartong"), a 25.58% owned associated company of the Group contributed net profit after tax of HK$7,422,000 in 2010, increased by 295% in 2010.

On 6 January 2011, the Company has entered into agreements to dispose of 49% equity interest of Fuzhou Dartong at a consideration of HK$93,342,000 and 25.58% equity interest of Jiangsu Dartong at a consideration of HK$40,768,000. Based on the Company's 49% share of the net asset value of Fuzhou Dartong of approximately HK$92,641,000 and the company's 25.58% interest in Jiangsu Dartong of approximately HK$43,729,000 as at 31 December 2010, the total loss from the disposals would be approximately HK$2,260,000. The actual gain or loss on the disposals will be calculated on the respective completion date. Upon completion of the disposals, the Group will only have interest in Fuzhou Dartong and Jiangsu Dartong through its 14.78% interest in Citychamp Dartong which is the major shareholders of Fuzhou Dartong and Jiangsu Dartong. The disposal will allow the Group to focus on its watches and timepieces business.

FINANCIAL POSITION

(1) Liquidity, financial resources and capital structure

As at 31 December 2010, the Group had non-pledged cash and bank balances of approximately HK$872,642,000 (31 December 2009: HK$257,404,000). Based on the bank loans of HK$145,301,000 (31 December 2009: HK$122,533,000) and equity attributable to owners of the Company of HK$3,284,782,000 (31 December 2009: HK$2,941,784,000), the Group's gearing ratio (being loans divided by equity attributable to owners of the Company) was 4% (31 December 2009: 4%).

As at 31 December 2010, the Group's bank loans amounting to HK$145,301,000 were repayable within one year.

(2) Charge on assets

Banking facilities of the Company were secured by the Group's investment properties in Tai Hang with net book values amounting to approximately HK$18,800,000 as at 31 December 2010.

(3) Capital commitments

The Group had capital commitments of HK$36,843,000 as at 31 December 2010 (31 December 2009: HK$1,374,000).

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 RMB236,516,373 (equivalent to HK$268,769,000). The Citychamp Rights Issue was subject to approval from the relevant PRC government authorities. As at 31 December 2009, the Citychamp Right 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. 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 the balance sheet date.

OUTLOOK

The tendency among Chinese consumers to equate price with quality means that the brand building is critical. Our proprietary brands such as Rossini, EBOHR and Codex and non-proprietary brands such as Longines and Tissot aim to position themselves at the Mainland Chinese consumers who grow increasingly rich and seek quality watches and brand upgrades. Watches with famous local and foreign brands have been outperforming in recent years and we expect trend rates of growth to continue. With our own Codex brand and other imported brands that we distribute, we are dealing with a number of local and foreign brands across the wide spectrum of price ranges.

One of the key reform initiatives of the "Twelve Five-Year Plan" of the Central Government is to continue to rebalance from an investment-led and export-driven economy to a consumption-driven growth mode. That the domestic demand and consumption are stimulated will further increase the income level. Rising income level should continue develop consumers of watches with brands – a trend driven by wealth effect. Our watches become increasingly affordable in the inland market along with the rising disposal income.

Our company performs well under the current economic environment. Our strategy to emphasize on brand building and channel development in tier-2 to tier-3 cities for our proprietary brands and to distribute non-proprietary brands will continue to pay off. Most consumers will seek quality watches and trade up from lower-end brands.

Strong recurring income of Rossini and EBOHR will be applied for financing the organic growth. The cash flow from divestment of non-core businesses and equity fund raising are further source of funds that can be applied for mergers and acquisitions in Mainland China and overseas.

In 2011, we continue to work towards the ultimate goal of building a comprehensive portfolio of companies specializing in manufacturing watches and mechanical movement and distribution of the proprietary brands and non-proprietary brands in Mainland China and overseas.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 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.

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board recommended the payment of a final dividend of HK3.5 cents per share for the year ended 31 December 2010, subject to the approval by shareholders at the forthcoming Annual General Meeting (year ended 31 December 2009: HK4.1 cents). If approved by shareholders at the Annual General Meeting, the final dividend is expected to be paid in Hong Kong dollars on 10 June 2011 to those members registered in the Company's register of members as at 27 May 2011.

The register of members of the Company will be closed from 23 May 2011 to 27 May 2011, 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 Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 20 May 2011.

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 2010, except for the deviations from code provisions E.1.2 of the Code as explained in the Company's interim report for the six months ended 30 June 2010.

Details of compliance with the Code will be set out in the corporate governance report in the 2010 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 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. 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 2010.

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

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

APPRECIATION

The Group's impressive performance in the past year was the result of the dedicated work by the management and its staff. I 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, 29 March 2011

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.