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 2011

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 2011 together with comparative figures for the corresponding period in 2010.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Six Months Ended 30 June 2011

		Six months ended 30 June	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Continuing operations:			
Revenue	*5*	**575,911**	362,216
Cost of sales		**(242,991)**	(138,692)
Gross profit		**332,920**	223,524
Other income		**8,038**	1,465
Selling and distribution expenses		**(136,657)**	(94,539)
Administrative expenses		**(86,388)**	(66,740)
Net surplus on revaluation of investment properties		**66,716**	–
Gain/(Loss) on fair value changes in financial assets at fair value through profit or loss, net		**5,820**	(1,746)
Gain on disposal of an associate	*9*	**–**	177,711
Dividend income from available-for-sale financial assets		**6,551**	5,172
Finance costs	*6*	**(1,747)**	(557)
Share of profit of associates		**1,670**	1,798
Profit before income tax	*7*	**196,923**	246,088
Income tax expense	*8*	**(30,998)**	(49,511)
Profit after income tax from continuing operations		**165,925**	196,577
Discontinued operations:			
(Loss)/Profit for the period from discontinued operations	*10.2*	**(1,460)**	4,245
Profit for the period		**164,465**	200,822
Other comprehensive income			
– Exchange gain on translation of financial statements of foreign operations		**24,490**	4,854
– Changes in fair value of available-for-sale financial assets		**105,429**	(458,203)
Other comprehensive income for the period		**129,919**	(453,349)
Total comprehensive income for the period		**294,384**	(252,527)

	Notes	Six months ended 30 June **2011** ***HK$'000*** **(Unaudited)**	 2010 *HK$'000* (Unaudited)
Profit for the period attributable to:			
Owners of the Company		**155,246**	196,501
Non-controlling interests		**9,219**	4,321
		164,465	200,822
Total comprehensive income for the period attributable to:			
Owners of the Company		**284,119**	(257,027)
Non-controlling interests		**10,265**	4,500
		294,384	(252,527)
Earnings/(loss) per share attributable to owners of the Company during the period	*12*		
From continuing and discontinued operations			
– Basic		**HK cents 3.76**	HK cents 5.46
– Diluted		**HK cents 3.68**	HK cents 5.35
From continuing operations			
– Basic		**HK cents 3.80**	HK cents 5.34
– Diluted		**HK cents 3.71**	HK cents 5.24
From discontinued operations			
– Basic		**HK cent (0.04)**	HK cent 0.12
– Diluted		**N/A**	HK cent 0.11

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	Notes	**30 June 2011 *HK$'000* (Unaudited)**	31 December 2010 *HK$'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**209,296**	87,777
Investment properties		**157,471**	87,712
Prepaid land lease payments		**28,298**	27,980
Goodwill		**629,805**	621,382
Interests in associates		**162**	158
Available-for-sale financial assets		**1,218,524**	1,113,095
Intangible assets		**11,020**	10,397
Prepayments and deposits		**28,491**	2,397
Deferred tax assets		**1,280**	1,250
		2,284,347	1,952,148
Current assets			
Inventories		**746,945**	428,831
Trade and bill receivables	*13*	**174,858**	113,762
Prepaid land lease payments		**678**	667
Prepayments, deposits and other receivables		**179,929**	160,969
Financial assets at fair value through profit or loss		**99,976**	91,764
Due from related companies		**861**	–
Cash and cash equivalents		**422,647**	837,872
		1,625,894	1,633,865
Non-current assets held for sale		**45,399**	43,729
Assets of a disposal group classified as held for sale	*10.1*	**–**	257,344
		1,671,293	1,934,938

	Notes	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Current liabilities			
Trade and bill payables	*14*	**191,418**	123,696
Other payables and accruals		**185,838**	135,846
Dividend payables		**559**	644
Tax payables		**28,826**	86,726
Borrowings		**51,554**	35,353
Due to related companies		**155**	26,230
		458,350	408,495
Liabilities of a disposal group classified as held for sale	*10.1*	**–**	164,704
		458,350	573,199
Net current assets		**1,212,943**	1,361,739
Net assets		**3,497,290**	3,313,887
EQUITY			
Equity attributable to owners of the Company			
Share capital		**414,598**	409,007
Proposed dividends		**41,460**	143,153
Reserves		**2,987,458**	2,732,622
		3,443,516	3,284,782
Non-controlling interests		**53,774**	29,105
Total equity		**3,497,290**	3,313,887

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

1. GENERAL INFORMATION

As disclosed in notes 1 and 12 to the financial statements of the Group for the year ended 31 December 2010 (the "2010 Annual Financial Statements"), in December 2010, the Group's management committed to sell its 49% equity interests in a jointly controlled entity, Fuzhou Dartong Machinery and Electronic Company Limited ("Fuzhou Dartong") and its 25.58% equity interest in an associate, namely Jiangsu Dartong M&E Co., Limited ("Jiangsu Dartong"). Fuzhou Dartong and Jiangsu Dartong were principally engaged in the manufacture and distribution of enamelled copper wires.

As at 30 June 2011, the Group completed the disposal of its 49% equity interest in Fuzhou Dartong for a consideration of HK$93,342,000, while the disposal of the 25.58% equity interests in Jiangsu Dartong was still in progress.

As the enamelled copper wires business carried out by Fuzhou Dartong (the "Discontinued Enamelled Copper Wires Business") represented components of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represented the separate major lines of businesses, the Group presented, in its unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 (the "Unaudited Interim Financial Statements"), the operations of the Enamelled Copper Wires Business as discontinued operations in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 5 – Discontinued Operations.

The interests in Jiangsu Dartong as at 30 June 2011 was continued to be presented under non-current asset held for sale in the condensed consolidated statement of financial position of the Group in accordance with HKFRS 5.

2. BASIS OF PREPARATION

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

The Unaudited Interim Financial Statements for the six months ended 30 June 2011 was approved for issue by the board of directors on 23 August 2011.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Unaudited Interim Financial Statements have been prepared in accordance with the accounting policies and method of comparatives used in the 2010 Annual Financial Statements, except for the adoption of the new or amended HKFRSs, which include individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int"). The adoption of these new and revised HKFRSs has had no material impact on the Group's financial statements. The Group has not early adopted any new HKFRSs that have been issued but are not yet effective. The Unaudited Interim Financial Statements should be read in conjunction with the 2010 Annual 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 are as follows:

(a) manufacture and distribution of watches and timepieces;

(b) property investment; and

(c) distribution of yacht.

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

Inter-segment sales are charged at prevailing market prices.

	Six months ended 30 June 2011			
	Watches and timepieces *HK$'000* **(Unaudited)**	**Property investment** *HK$'000* **(Unaudited)**	**Yacht** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Segment revenue and income :				
Sales to external customers	**566,874**	**4,890**	**4,147**	**575,911**
Other income	**1,669**	**4,677**	**–**	**6,346**
Total	**568,543**	**9,567**	**4,147**	**582,257**
Segment results	**145,726**	**68,740**	**(1,752)**	**212,714**
Unallocated corporate income and expenses, net				**(14,226)**
				198,488
Share of profit of associates				**1,670**
Finance costs				**(1,747)**
Equity-settled share-based compensation				**(1,488)**
Profit before income tax				**196,923**
Income tax expense				**(30,998)**
Profit for the period from continuing operations				**165,925**
Loss for the period from discontinued operations (note 10.2)				**(1,460)**
Profit for the period				**164,465**

	Six months ended 30 June 2010			
	Watches and timepieces	Property investment	Yacht	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue and income:				
Sales to external customers	346,818	5,707	9,691	362,216
Other income	381	961	112	1,454
Total	347,199	6,668	9,803	363,670
Segment results	94,611	584	(40)	95,155
Unallocated corporate income and expenses, net				(24,204)
				70,951
Share of profit of associates				1,798
Gain on disposal of an associate				177,711
Finance costs				(557)
Equity-settled share-based compensation				(3,815)
Profit before income tax				246,088
Income tax expense				(49,511)
Profit for the period from continuing operations				196,577
Profit for the period from discontinued operations (note 10.2)				4,245
Profit for the period				200,822

Management determines the Group is domiciled in Hong Kong, which is the location of the Group's principal office. Over 90% of the Group's revenues from external customers 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").

5. REVENUE

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Sale of goods	**571,021**	356,509
Gross rental income	**4,890**	5,707
	575,911	362,216

6. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Interests on bank and other loans wholly repayable within five years	**1,747**	557

7. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Depreciation	**8,555**	7,683
Amortisation of prepaid land lease payments	**356**	119

8. 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 2010: Nil).

The subsidiaries established in the PRC are subject to income taxes ranging between 13% and 25% (Six months ended 30 June 2010: 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.

9. GAIN ON DISPOSAL OF AN ASSOCIATE

During the six months ended 30 June 2010, the Group had disposed of its 30% equity interests in an associate, Guanyang Real Estate Co., Limited to an independent third party for a cash consideration of RMB 186,000,000 (equivalent to HK$211,353,000). A gain on disposal of HK$177,711,000 had been recognised in the profit or loss for the six months ended 30 June 2010 accordingly.

10. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE/DISCONTINUED OPERATION

10.1 Assets of A Disposal Group Classified As Held for Sale

As mentioned in note 1, the Group's management committed to dispose of its 49% equity interest in Fuzhou Dartong. The assets and liabilities of Fuzhou Dartong were presented under assets or liabilities of a disposal group classified as held for sale as at 31 December 2010.

As at 30 June 2011, the disposal of Fuzhou Dartong was completed. Details of the unaudited results of the Discontinued Enamelled Business was set out in note 10.2.

10.2 Discontinued Operations

An analysis of the unaudited results of the Discontinued Enamelled Business for the periods was as follows:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	**505,043**	349,845
Cost of sales	**(489,238)**	(335,883)
Gross profit	**15,805**	13,962
Other income	**568**	78
Selling and distribution expenses	**(1,905)**	(2,085)
Administrative expenses	**(4,394)**	(3,690)
Finance costs – interest on bank loans wholly repayable within five years	**(5,439)**	(3,655)
Profit before income tax	**4,635**	4,610
Loss on disposal of Fuzhou Dartong	**(5,216)**	–
Income tax expense	**(879)**	(365)
(Loss)/Profit for the period	**(1,460)**	4,245

11. DIVIDENDS

11.1 Dividends attributable to the six months ended 30 June 2011 were as follows:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim dividend of HK1 cent per share (Six months ended 30 June 2010: HK1.5 cents)	**41,460**	55,430

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

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Final 2010 dividend in respect of the previous financial year, of HK3.5 cents per share (Six months ended 30 June 2010: Final 2009 dividend of HK4.1 cents per share)	**145,044***	151,509

* The actual final dividend paid for six months ended 30 June 2011 was HK$145,044,000 as a result of the increase in ordinary shares. During the six months ended 30 June 2011, 54,055,000 ordinary shares were issued due to exercise of share options before the closure of members' register on 23 May 2011 and these ordinary shares were entitled to the final 2010 dividend.

12. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share:		
– Continuing operations	**156,706**	192,256
– Discontinued operations	**(1,460)**	4,245
Total profit from continuing and discontinued operations	**155,246**	196,501

	Number of shares Six months ended 30 June	
	2011	2010
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**4,126,852**	3,597,494
Effect of dilutive potential ordinary shares: – share options issued by the Company	**95,878**	73,757
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**4,222,730**	3,671,251

Diluted loss per share from discontinued operations for the six months ended 30 June 2011 was not presented because the impact of the exercise of the share options was anti-dilutive.

13. TRADE AND BILL RECEIVABLES

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

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
1 to 3 months	**149,244**	103,499
4 to 6 months	**15,250**	6,595
Over 6 months	**10,364**	3,668
	174,858	113,762

14. 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 2011	31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
1 to 3 months	**149,277**	121,557
4 to 6 months	**31,441**	1,314
Over 6 months	**10,700**	825
	191,418	123,696

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

For the six months ended 30 June 2011, the Group recorded an unaudited revenue of approximately HK$1,080,954,000 (continuing and discontinued operations) (for the six months ended 30 June 2010: HK$712,061,000), representing an increase of HK$368,893,000 compared with the corresponding period last year. Net Profit attributable to owners of the Company for the period was approximately HK$155,246,000, representing a decrease of HK$41,255,000 compared with the corresponding period last year. Having set apart the financial impact of the gain on disposal of an associate of HK$177,711,000 for the six months ended 30 June 2010 and the net surplus on revaluation of investment properties of HK$66,716,000 for the six months ended 30 June 2011, the Group should have an increase of profit after income tax from continuing operations of HK$80,343,000 compared with the corresponding period last year.

BUSINESS REVIEW

The Group has made remarkable achievements during the period ended 30 June 2011. The acquisition of Eterna AG Uhrenfabrik ("Eterna") is a strategic move that provides the Group with two additional international brands and the mechanical movement manufacturing capability. The establishment of Liaoning Hengjia Horologe Co., Ltd. ("Hengjia") was so important that the Group would benefit from the increasingly strong consumption power of the North East part of Mainland China. Both activities have laid strong foundation for the sustainable growth of the Group in Mainland China and overseas.

The development of the existing subsidiaries, focusing on both proprietary brands and non-proprietary brands, was impressive. Almost all subsidiaries achieved significant growth in turnover and net profit. The organic growth was faster than the industry average and hence the Group continued to be one of the market leaders of the watch industry in Mainland China.

The Group completed the disposal of Fuzhou Dartong Machinery and Electronic Company Limited. ("Fuzhou Dartong") on 30 June 2011 and the disposal of Jiangsu Dartong M&E Co. Ltd. ("Jiangsu Dartong") on 14 July 2011.

(1) Watches and timepieces – proprietary brands

Acquisition of Eterna

On 29 June 2011, International Volant Limited, a wholly-owned subsidiary of the Group, acquired the shares and loans of Eterna at a total consideration of HK$213,920,000 or CHF22,911,001.

Eterna was founded in 1856 in Switzerland. It manufactures timepieces under two brands, namely the self-owned brand Eterna and the licensed brand Porsche Design. Eterna is authorized to use the Porsche Design trademark and to develop and manufacture the licensed watches. Eterna is also authorized to distribute the Porsche Design licensed watches through selected distributors. Eterna watches are distributed through independent points of sales and agencies while the Porsche Design watches are distributed through points of sales and own/franchised shops all over the world. Eterna is able to manufacture its own mechanical movement, comprising manual, automatic, with and without date, and chronograph functionalities.

The acquisition is strategically important for the sustainable development of the Group. Eterna is an international brand with a long history, having a very unique product line. Porsche Design is also an international brand, targeting very different market segment. The acquisition of Eterna would provide additional Swiss watches for the Group's comprehensive distribution network in Mainland China. It is anticipated that the sale revenue of Eterna and Porsche Design watches would increase rapidly after strengthening brand awareness, improving customer service and developing the target products for the Mainland China market. Besides, the capability to manufacture mechanical movement enables the Group to secure the supply of mechanical movements. It is anticipated that Eterna would complete the development of its recently created modular mechanical movements in the near future. Modular mechanical movements can be easily modified to include additional features, such as date, tourbillion and chronograph functionalities, with relatively simple process and at relatively competitive cost. Eterna would then supply the newly developed mechanical movement for its own production in Switzerland in the medium term.

The brief history and recent development of Eterna is as follow:

Year of Founding:	1856
Founder:	Josef Girard and Urs Schild
Place of Founding:	Switzerland
1876:	Produced the first wristwatch rewriting the history of pocket watch
1914:	Designed the first alarm clock
1930:	Launched the most delicate lady's watch
1958:	Launched the first lady's watch with gold core as well as the first waterproof watch with water-resistant up to 200 meters
1980:	Awarded the highest honor in product quality of Europe

Eterna has never stopped innovation in watch-making, either in its craftsmanship or technology. Eterna-matic was launched in 1948. Its design of automatic winding was using an automatic turntable set in five ball bearings, completely rewriting the history of traditional automatic winding watch. The new bearing technique was impressive, as a slight movement will make the roter of the watch begin to rotate, in return driving the new system composed of the two so-called clamed wheels. Besides, no matter which direction the roter rotates to, the tension spring can be stretched by this automatic rolling system. Up to date, Eterna's trademark of five points is still in use.

In 2009, Eterna launched the Eterna Spherodrive device, which was a new kind of technique in relation to barrel and stretching and driving with tension springs. The barrel uses mini ball bearings as the axle assembly between tubes and heart-shaped bearings. The arched dial for date display is driven by the frictionless sphere-shaped bearing.

The brand awareness of Eterna is greatly attributable to the invention in of ball bearing.

Zhuhai Rossini Watch Industry Ltd.

Zhuhai Rossini Watch Industry Ltd. ("Rossini"), a 91% owned subsidiary of the Group, also achieved good results in the first half of 2011. Revenue for the first half of 2011 was HK$253,113,000, an increase of HK$93,631,000, or 59%, from HK$159,482,000 for the same period last year. Net profit after tax for the first half of 2011 was HK$71,126,000 compared with HK$41,823,000 for the same period in 2010, an increase of HK$29,303,000, or 70%.

Given the tremendous efforts waged on expanding its distribution outlets through department stores and interwoven closely with regional sales manager, 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 124 outlets (78 outlets through department stores and 46 outlets through authorized dealers) to a total of 1,236 in the first half of 2011 (844 outlets through department stores, 389 outlets through authorized dealers and 3 boutiques).

There were 20 new products introduced in the first half of 2011. In the second half of 2011, Rossini introduced another sport watch line. Timely introduction of new products help not only target additional market segment but also generate additional revenue and profit from the targeted market segment, hence maintaining the leading position in Mainland China.

Rossini has been awarded China's 500 most valuable brands and Asia's 500 most valuable brands of the year 2011 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 watch brands.

Moreover, Rossini has developed its spectacles frame brand and established the first spectacles shop with in-house qualified optician in the headquarters of Rossini and distributed spectacles through a comprehensive network of over 150 outlets in June 2011.

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 results in the first half of 2011. Revenue for the first half of 2011 was HK$189,062,000, an increase of HK$25,178,000, or 15%, from HK$163,884,000 for the same period last year. Net profit after tax for the first half of 2011 was HK$30,994,000 compared with HK$28,538,000 for the same period in 2010, an increase of HK$2,456,000, or 9%.

Revenue increased by 15% to HK$189,062,000 while the net profit after tax increased by only 9% to HK$30,994,000 due to the additional expenses for the new product development related to EBOHR Complication series, the new market development for Codex and net loss after tax of HK$12,483,000 incurred by Swiss Chronometric SA ("Swiss Chronometric"), a wholly owned subsidiary of EBOHR in Switzerland during the period.

During the period, there was an increase of 99 outlets (70 outlets through department stores and 29 outlets through authorized dealers). The total number of outlet was 1,241 in the first half of 2011 (708 outlets through department stores, 529 outlets through authorized dealers and 4 boutiques).

EBOHR has completed the design of the EBOHR Complication series, a product line composed of tourbillion watches and watches of sophisticated mechanical movement. These products would be distributed through the outlet of Swiss Chronometric in Lucerne. To enhance the brand image, EBOHR has put tremendous efforts on improving its advertising materials and equipments in the distribution outlets. The efforts on outlet development and brand building would reflect in the revenue in the second half of 2011.

EBOHR has been awarded China's 500 most valuable brands of the year 2011 by the World Brand Laboratory.

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 in Switzerland. Swiss Chronometric started distributing Codex watches for gentleman in the self-owned Codex image shop in Lucerne of Switzerland from 1 July 2010. Following the release of the Codex watches for lady in the Basel Fair in March 2011, the Codex watches for lady were also distributed in the shop. In addition to the Codex image shop in Shanghai, Codex watches were sold by the distributors in Europe, US and Russia. Such international distribution network will also distribute EBOHR's PAMA and KANA, EBOHR Complication and other premium ranges of EBOHR and Rossini. Swiss Chronometric contributed revenue and net loss after tax of approximately HK$1,805,000 and HK$12,483,000 respectively in the first half of 2011.

(2) Watches and timepieces – non-proprietary brands

Shenzhen Permanence Commerce Co., Ltd. ("Permanence"), a 100% owned subsidiary of the Group, focusing on distribution of Citizen and Casio watches, contributed revenue and net profit after tax of approximately HK$22,642,000 and HK$1,364,000 respectively in the first half of 2011. The change of shareholding and management slightly affected its operation and growth. Gross and net profit margin increased as Permanence became more efficient. Citizen and Casio were two strong revenue drivers for Permanence during the period. Permanence started distributing Ernest Borel and Titoni in the first half of 2011 and other well-known fashion brands in the second half of 2011. As of 30 June 2011, there were 50 distribution outlets and 3 single-brand retail boutiques; Permanence also supplied to 35 retail customers. The efforts on outlet development would reflect in the revenue and profit in the second half of 2011.

The Group has established Ruihuang (Chongqing) Watch Co., Ltd. ("Ruihuang") in September 2010. Ruihuang, a 51% owned subsidiary of the Group, developed leading boutiques for well known Swiss watch brands such as Longines and Tissot; distribute leading Swiss and Japanese watch brands such as Rado, Enicar, Titoni and Ernest Borel through the leading department stores; and set up maintenance centre for various imported watches in Chongqing. Ruihuang contributed revenue and net profit after tax of approximately HK$88,593,000 and HK$3,185,000 respectively in the first half of 2011. Publicity events would help build awareness and revenue of Longines and Tissot single-brand boutiques. Both were two strong revenue drivers for Ruihuang during the period. There was massive renovation of multi-brand retail outlets conducted in the period. As of 30 June 2011, Ruihuang established 30 multi-brand retail shops and supplied to 10 retail customers.

Guangdong Juxin Watch Co., Ltd. ("Juxin") was established in January 2011. Juxin, a 51% owned subsidiary of the Group, distributed leading Swiss and Japanese watch brands such as Tudor, Tissot and Casio through the leading department stores in various cities in Guangdong such as Foshan, Guangzhou, Zhongshan, Shaoguan and Qingyuan. Juxin has also established maintenance centre for various imported watches. Juxin contributed revenue and net profit after tax of approximately HK$16,646,000 and HK$524,000 respectively in the first half of 2011. Casio was the strongest revenue driver for Juxin during the period. Juxin was awarded the "Outstanding Distributor" by Casio in April 2011. As of 30 June 2011, there were 7 multi-brand retail shops, 2 single-brand boutiques and 11 distribution outlets.

Liaoning Hengjia Horologe Co., Ltd. ("Hengjia") was established in May 2011. Hengjia, a 51% owned subsidiary of the Group, distributed leading Swiss and Japanese watch brands.Hengjia operates two single-brand boutiques, one for Rado and one for Tissot. The Tissot boutique is the one of the top performers of Tissot in Mainland China. Hengjia also operates three multi-brand retail shops in the leading department stores in Liaoning. Hengjia is actively developing single-brand boutiques and multi-brand retail shops in Liaoning. Hengjia would be operational in the second half of 2011.

Permanence, Ruihuang, Juxin and Hengjia collectively own over 150 brand image retail shops and distribution outlets, distributing over 25 local and international brands and spanning 35 cities nationwide.

These distribution companies not only provide additional distribution network for the Group's watches but also generate revenue from the distribution of other well-known local and foreign brands. Given the good relationships with the outlet providers and well-known foreign brands, the number of distribution outlets and their contributions to the Group are expected to increase rapidly.

(3) Enamelled copper wires business

Fuzhou Dartong, a 49% owned jointly controlled entity of the Group contributed revenue and net profit after tax of approximately HK$505,043,000 and HK$3,756,000 respectively in the first half of 2011. As all conditions precedent of the disposal of Fuzhou Dartong were satisfied on 30 June 2011, the transaction was therefore considered completed.

Jiangsu Dartong, a 25.58% owned associated company of the Group recorded contributions of approximately HK$1,670,000 in the first half of 2011. As there was still one condition precedent of the disposal to be satisfied, the Company's investment in Jiangsu Dartong was still retained in the consolidated statement of financial position of the Group. The gain from the disposal would have been HK$2,398,000 if the disposal had been based on the sale consideration of HK$40,768,000 and the net asset value of Jiangsu Dartong of approximately HK$38,370,000 as at 30 June 2010.

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

During the half year under review, the Group recorded cash dividend of HK$6,551,000 from Citychamp Dartong.

As at 30 June 2011, the Group owned 108,743,161 shares, accounts for 14.78% of the total capital of Citychamp Dartong. Based on the market price on 30 June 2011, the value of the share was HK$1,218,447,000.

After the expiry of the lock-up period on 22 May 2010, the Company would consider 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.

(6) Motor yacht distribution

Chart Victory Limited ("Chart Victory"), a 100% owned subsidiary of the Group, acts as the sole distributor of Princess Yachts International plc in Hong Kong. 1 motor yacht was sold during the six months ended 30 June 2011. 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.

FINANCIAL POSITION

(1) Liquidity, financial resources and capital structure

As at 30 June 2011, the Group had non-pledged cash and bank balances of approximately HK$422,647,000. Based on the bank loans of HK$51,554,000 and shareholders' equity of HK$3,443,516,000, the Group's gearing ratio (being loans divided by shareholders' equity) was 2%.

The Group's bank loans were denominated in Reminbi and Hong Kong dollars. As at 30 June 2011, the Group's bank loans amounting to HK$51,554,000 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 carrying amount of approximately HK$18,800,000 as at 30 June 2011.

(3) Capital commitments

The Group had no capital commitment as at 30 June 2011.

(4) Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2011.

FINANCIAL REVIEW

(1) Gross profit

Gross profit (continuing and discontinued operations) was HK$348,725,000, an increase of 47% from HK$237,486,000 for the same period last year. Gross profit margin remained substantially unchanged.

(2) Selling and distribution expenses

Selling and distribution expenses (continuing and discontinued operations) of HK$138,562,000 were 43% higher than the same period last year. Such increase was in line with the increase in revenue. Rossini contributed selling and distribution expenses of HK$64,000,000, while EBOHR contributed selling and distribution expenses of HK$56,000,000.

(3) Administrative expenses

Administrative expenses (continuing and discontinued operations) of HK$90,782,000 were 29% higher than the same period last year. Such increase was lower than the increase in revenue. Rossini contributed administrative expenses of HK$12,000,000 while EBOHR contributed administrative expenses of HK$14,000,000.

(4) Issue of new shares and grant of an option to subscribe for new shares

On 8 August 2011, the Company issued 10,000,000 shares at the issue price of HK$0.99 each and granted an option to subscribe for up to 210,000,000 shares at the option price of HK$1.21 each.

PROSPECTS

Global financial markets are likely to remain volatile in the short term due to the fears regarding the growth outlook of the US and the European sovereign debt crisis.

Amidst widening investor concerns about the risk of Mainland China's hard landing, there have been recent announcements of favorable data of industrial production, fixed asset investment and retail sales. The resilient macroeconomic data suggest Mainland China reflects the continuous strength in the economic performance and remains on track to engineer a soft landing, despite the impact of monetary tightening and a temporary drag from power shortages.

It is the Government's target to increase the total retail sale to RMB30 trillion in 2015 from RMB16 trillion in 2010. As our business is retail and consumption related, we would undoubtedly benefit from relevant government policies.

The effort to increase the share of lower income groups in primary income distribution and rising prices of agricultural products, leading to faster income growth of rural and low-income urban residents. As the rural residents and low-income urban residents have higher marginal propensity to spend, their income growth will be the main driver for consumption for our watches of ordinary price. Urbanization and consumption upgrade will fuel demand of both low/mid-end luxury goods. China's urban population will exceed its rural population in 2015, with urbanization rate up from 49.7% to 55%. This will provide room for the continuous expansion of consumption and retail industry and demand for our watches of premium price such as Eterna, Porsche Design, PAMA, KANA, EBOHR Complication and other premium ranges of EBOHR and Rossini.

The growth outlook in the near future continues to be good given the strong brands of Rossini, EBOHR and Swiss and Japanese brands, well-known all over Mainland China and aggressive outlet expansion in 2-tier, 3-tier and even to 4-tier cities that is estimated to be in the range of 15% to 20% annually. Coupled with the currently low per capita watch consumption, increasing income, rising urbanization and continuous consumption upgrade, the domestic watch market is promising and the Group will benefit from the continuous growth.

Looking ahead, our existing subsidiaries, focusing on both proprietary brands and non-proprietary brands, would continue the impressive organic growth through product, distribution and market development. In addition to Rangei sport line and EBOHR Complication, Rossini and EBOHR would introduce more new products to target additional market segments. They would continue their aggressive expansion of distribution outlets in the 2-tier, 3-tier and even 4-tier cities. At the same time, the distribution companies would also expand their brand image retail outlets aggressively. They would also bring in additional renowned brands so as to diversify the portfolio of brands and target to additional market segments in Mainland China. Given the current growth momentum and potential acquisitions, the proportion of revenue from non-proprietary brands would gradually increase.

The Group would put significant resources into Eterna so as to ensure the success of Eterna and Porsche Design watches and of the recently developed mechanical movements. Existing Eterna and Porsche Design watches would be distributed through currently over 150 brand image retail outlets of our distribution companies in Mainland China. At the same time, Eterna would design new watches that are particularly attractive to certain market segments in Mainland China. The plan is to present new product lines of watches and mechanical movements in the near future.

Swiss Chronometric would continue to strengthen and expand the sale network in Europe, US and Russia.

The Group would strive to identify and evaluate opportunities and execute deals in Mainland China and overseas that would further enhance the dominant position in the Mainland China watch industry and work towards to the ultimate goal to build 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 30 June 2011, 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 denominated in RMB. Since the Group's bank borrowings are also mainly denominated in RMB and the Group has retained surplus funds in those currencies, such foreign exchange exposure is immaterial and could be effectively monitored.

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board has recommended the payment of an interim dividend of HK1 cent per share for the six months ended 30 June 2011 (six months ended 30 June 2010: HK1.5 cents).

The Register of members will be closed from 3 October 2011 to 7 October 2011, both days inclusive. In order to be eligible for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 30 September 2011.

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 2011, 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 27 May 2011 due to his business trip outside Hong Kong.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2011.

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 2011. 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

For the six months ended 30 June 2011, the Company repurchased 15,630,000 issued ordinary shares on The Stock Exchange of Hong Kong Limited. These repurchased shares were cancelled on 11 July 2011.

Month of repurchase	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate price paid
		HK$	*HK$*	*HK$'000*
June 2011	15,630,000	1.05	0.99	15,925,320

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

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

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

APPRECIATION

The Group's remarkable achievements and performance in the past period 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
China Haidian Holdings Limited
Hon Kwok Lung
Chairman

Hong Kong, 23 August 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.