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CHINA HAIDIAN HOLDINGS LIMITED

中國海澱集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 256)

DISCLOSEABLE TRANSACTION

Financial Adviser to China Haidian Holdings Limited



Quam Capital Limited

On 9 January 2006, the shareholders of Xinyang unanimously approved the increase of its registered capital from RMB26 million (HK\$25 million) to RMB88.5 million (approximately HK\$85.1 million) which will be paid up by the shareholders pro rata to their existing holdings before 27 January 2006. Jin Guan, a wholly-owned subsidiary of the Company, which has an 80% equity interest in Xinyang is, therefore, required to inject RMB50 million (approximately HK\$48.1 million) into Xinyang. Jin Guan will finance the said capital injection by internal resources.

The Increase in Registered Capital constitutes a discloseable transaction for the Company under the Listing Rules.

A circular containing, among other things, details of the Increase in Registered Capital will be despatched to the Shareholders as soon as practicable.

THE PROPOSED INCREASE IN REGISTERED CAPITAL

Xinyang, a subsidiary of the Company, is owned as to 80%, 12% and 8% by Jing Guan, Mr. Li and Mr. Lin respectively. Jing Guan is a company incorporated in the PRC and is a wholly-owned subsidiary of the Company. Mr. Li is a substantial shareholder and director of Xinyang and Mr. Lin is a director of Xinyang, therefore they are connected persons of the Company.

Pursuant to the articles of association of Xinyang, a domestic company in the PRC with limited liability, any alterations to its registered capital must be conditional on approval by shareholders in a general meeting. On 9 January 2006, the shareholders of Xinyang unanimously approved the increase of its registered capital from RMB26 million (HK\$25 million) to RMB88.5 million (approximately HK\$85.1 million), which will be paid up by the shareholders pro rata to their existing holdings before 27 January 2006. Therefore, Jing Guan, Mr. Li and Mr. Lin are required to inject RMB50 million (approximately HK\$48.1 million), RMB7.5 million (approximately HK\$7.2 million) and RMB5 million (approximately HK\$4.8 million) into Xinyang respectively. The amount of the Increase in Registered Capital was determined based on arm's length negotiations among the shareholders of Xinyang taking into consideration of the estimated amount of future borrowings to finance the property development project as detailed in the section headed "Information on Xinyang" below. Save for the obligation to contribute the additional registered capital, Jing Guan is not obliged to provide any further capital contribution under the articles of association of Xinyang.

Jing Guan will finance the aforesaid capital injection with internal resources.

INFORMATION ON XINYANG

Xinyang is principally engaged in property development. At present, it is the sole developer in the redevelopment of old buildings on Guangqumen South Street, Chongwen District, Beijing, the PRC with a total planned site area of 106,100 square meters. The site will be developed into an area with serviced apartments, commercial and residential properties together with community facilities. The demolition work was commenced in December 2005 and is expected to be completed by the end of August this year. Construction works will commence thereafter. The management expects the project will be completed in phases in 2008. Save as aforementioned, Xinyang has not been involved in any other business activities since its establishment on 20 August 2003.

Xinyang had incurred loss of approximately RMB0.6 million (approximately HK\$0.6 million) and RMB2.7 million (approximately HK\$2.6 million) for each of the two years ended 31 December 2004 respectively. According to the latest management accounts of Xinyang, its net asset value was approximately RMB19.9 million (approximately HK\$19.1 million) as at 30 November 2005.

REASONS FOR AND BENEFITS OF THE INCREASE IN REGISTERED CAPITAL

The proposed Increase in Registered Capital will increase Xinyang's capital base and, therefore, strengthen its ability to raise bank borrowings in future. In addition, capital contributions by Xinyang's shareholders will be pro rata to their existing holdings. Hence, the terms of the Increase in Registered Capital are fair and reasonable.

With the fast economic growth in the PRC and China's accession to the World Trade Organisation, the outlook of the property market in Beijing is considered to be promising. Xinyang's redevelopment project is located at a prime site for property development in Beijing. It is located in the city district along Erhuan Road region of Beijing, where land supply is limited, and moreover it is adjacent to the Chaoyang's Central Business District. Given that Xinyang's property redevelopment project is an attractive investment opportunity for the Group to expand its property development business in the PRC, the Directors consider that the Increase in Registered Capital is in the interests of the Group and the Shareholders as a whole.

GENERAL

The Group is principally engaged in the manufacturing and sale of watches and clocks, property investment and development, and manufacturing and distribution of timber products.

The Increase in Registered Capital constitutes a discloseable transaction for the Company under the Listing Rules.

A circular containing, among other things, details of the Increase in Registered Capital will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

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| “Board” | the board of Directors |
| “Company” | China Haidian Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange |
| “connected person” | has the meaning ascribed thereto in the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “Hong Kong” | The Hong Kong Special Administrative Region of the PRC |
| “Increase in Registered Capital” | the proposed increase in Xinyang’s registered capital from RMB26 million (HK\$25 million) to RMB88.5 million (approximately HK\$85.1 million) |
| “Jing Guan” | 北京京冠房地產開發有限公司 (Beijing Jing Guan Property Development Company Limited), a company established in the PRC on 26 November 2003 and a wholly-owned subsidiary of the Company |
| “Listing Rules” | Rules Governing the Listing of Securities on the Stock Exchange |
| “Mr. Li” | 李世強 (Li Shiqiang), one of the shareholders of Xinyang |
| “Mr. Lin” | 林希 (Lin Xi), one of the shareholders of Xinyang |
| “PRC” | The People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC, and the exchange rate for RMB into HK\$ for the purpose of this announcement is RMB1.04 = HK\$1.00 |
| “Share(s)” | the ordinary share(s) of HK\$0.10 each in the issued share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Xinyang” | 北京鑫陽房地產開發有限公司 (Beijing Xinyang Real Estate Development Limited), a company established in the PRC and is owned as to 80%, 12% and 8% by Jing Guan, Mr. Li and Mr. Lin respectively |
| “%” | per cent |

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

By order of the Board of
China Haidian Holdings Limited
Hon Kwok Lung
Chairman

Hong Kong, 9 January 2006