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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

### AND

### DISCLOSURE PURSUANT TO RULE 13.13 OF THE LISTING RULES

Financial Adviser to China Haidian Holdings Limited



Financial Services Group

**Quam Capital Limited**

The Board wishes to announce that on 29 December 2005, Ebohr, a wholly-owned subsidiary of the Company, provided a loan guarantee in favour of Citychamp in relation to a loan of RMB17 million (equivalent to approximately HK\$16.3 million) granted to Citychamp from 29 December 2005 to 15 November 2006. In addition, on 25 January 2006, Jing Guan, a wholly-owned subsidiary of the Company, provided a loan guarantee given in favour of Dartong, which is owned as to 51% by Citychamp and 49% by the Company, regarding a loan facility of RMB18 million (equivalent to approximately HK\$17.3 million) granted to Dartong for a period of one year commencing from 25 January 2006.

The aggregate value of the Citychamp Guarantee and the Dartong Guarantee of RMB35 million (equivalent to approximately HK\$33.7 million) exceeds 8% of one of the percentage ratios under Rule 14.07 of the Listing Rules. Therefore, the Company is required to disclose details of the Citychamp Guarantee and the Dartong Guarantee pursuant to Rule 13.13 of the Listing Rules. The aggregation of the Citychamp Guarantee and the Dartong Guarantee also constitutes a discloseable transaction of the Company under the Listing Rules. A circular containing, among other things, details of the Citychamp Guarantee and the Dartong Guarantee will be despatched to the Shareholders as soon as practicable.

#### **GUARANTEES**

Ebohr and Jing Guan, wholly-owned subsidiaries of the Company, provided an aggregate guarantees of RMB35 million (equivalent to approximately HK\$33.7 million) in favour of Citychamp and Dartong respectively. Details of the guarantees are set out below:

#### **Citychamp Guarantee**

On 29 December 2005, Ebohr provided a loan guarantee in favour of Citychamp in relation to a loan of RMB17 million (equivalent to approximately HK\$16.3 million) granted to Citychamp by Industrial and Commercial Bank of China from 29 December 2005 to 15 November 2006. Up to the date of this announcement, Citychamp has drawn down the entire loan.

#### **Dartong Guarantee**

On 25 January 2006, Jing Guan provided a loan guarantee in favour of Dartong in relation to a loan facility of RMB18 million (equivalent to approximately HK\$17.3 million) granted to Dartong by China Everbright Bank for a period of one year commencing from 25 January 2006. Up to the date of this announcement, Dartong has drawn down RMB10 million (equivalent to approximately HK\$9.6 million) under the loan facility.

Each of the Citychamp Guarantee and the Dartong Guarantee indemnifies losses, if any, incurred by the respective bank if the loan is defaulted during the loan period. The loan guarantees shall be released upon full repayment of the loans drawn down under the respective loan facility. Ebohr and Jing Guan will not receive any fee income or collateral as a result of providing the guarantees.

## **INFORMATION ON CITYCHAMP AND DARTONG**

### **Citychamp**

Citychamp is a company listed on the Shanghai Stock Exchange in the PRC. Citychamp and its subsidiaries are principally engaged in property investment, manufacturing and sale of enamelled copper wires.

Fuzhou Yingrong, the single largest shareholder of Citychamp, is interested in approximately 22.0% of the issued share capital of Citychamp. Fuzhou Yingrong is owned as to approximately 68.5% and 31.5% by Ms. Sit and Ms. Lu respectively. Ms. Sit is a non-executive Director and hence a connected person of the Company. In addition, both of Ms. Sit and Ms. Lu are daughters-in-law of Mr. Hon Kwok Lung. Mr. Hon Kwok Lung, an executive Director, and his wife collectively own 70% equity interests in Sincere View International Limited, the controlling shareholder of the Company. Hence, Ms. Lu is a connected person of the Company. Save as aforesaid, to the Directors' best knowledge, no connected person of the Company has any interest in Citychamp. Ms. Sit and Ms. Lu do not have any interest in the Company.

Fuzhou Yingrong is interested in less than 30% of the issued share capital of Citychamp. In addition, under the PRC law, Ms. Sit and Ms. Lu do not, by virtue of their approximately 22.0% interests in Citychamp, have control over the board of directors of Citychamp and its subsidiaries and thus Ms. Sit and Ms. Lu are not able to appoint the directors of Citychamp without the support of other shareholders of Citychamp. Therefore, Citychamp is not a connected person of the Company under the Listing Rules. Ms. Sit and Ms. Lu are not directors of Citychamp. Save as aforesaid, to the Directors' best knowledge, information and belief, having made all reasonable enquiries, Citychamp is independent of and not connected with the Company and its connected persons.

Based on the annual report of Citychamp, net profit after taxation of Citychamp was approximately RMB68.8 million (equivalent to approximately HK\$66.2 million) and approximately RMB64.1 million (equivalent to approximately HK\$61.6 million) for each of the two years ended 31 December 2004. As at 30 September 2005, Citychamp had net asset of approximately RMB491.4 million (equivalent to approximately HK\$472.5 million).

### **Dartong**

Dartong was established in the PRC on 3 June 2005 and is owned as to 51% by Citychamp and 49% by the Company. Each of the Company and Citychamp does not have unilateral control over Dartong. As the Company has joint control with Citychamp over Dartong, its interest in Dartong will be recorded in the Company's financial statements as a jointly-controlled entity. As Citychamp is not a connected person of the Company, Dartong is also not a connected person of the Company pursuant to the Listing Rules.

Dartong is principally engaged in the manufacturing and sale of enamelled copper wires in the PRC. Dartong commenced its operation in late 2005.

As at 31 December 2005, the unaudited net asset of Dartong was approximately RMB98.7 million (equivalent to approximately HK\$94.9 million). Dartong incurred loss of approximately RMB1.3 million (equivalent to approximately HK\$1.2 million) from the date of its establishment to 31 December 2005.

## **REASONS FOR AND BENEFITS OF THE CITYCHAMP GUARANTEE AND THE DARTONG GUARANTEE**

Citychamp approached the Company in late 2005 in respect of the granting of the Citychamp Guarantee. After arm's length negotiations, Citychamp has agreed in writing to provide a guarantee in favour of Ebohr in the same amount as stated in the Citychamp Guarantee in return for the Citychamp Guarantee. Ebohr is contemplating to apply for a bank loan in the first quarter of 2006 and will require a guarantor on such application. The guarantor should be an entity that has substantial assets in the PRC and a PRC entity is preferred by banks. Having considered the future financing requirements of Ebohr, the guarantee to be provided by Citychamp, the listing status of Citychamp in the PRC and the financial position of Citychamp and its subsidiaries, Ebohr has agreed to grant the Citychamp Guarantee. Ebohr is principally engaged in the manufacturing and sale of watches and timepieces in the PRC. The Director believe that the cross guarantee between Citychamp and the Company will provide Ebohr the flexibility in its future financing need in the PRC.

Dartong, which is owned as to 51% by the Company and 49% by Citychamp, required bank borrowings to meet its working capital requirements in the early stage of operation. The bank requested Dartong to obtain guarantees from other companies as one of the conditions of granting the loans. Citychamp has transferred certain land and machineries to Dartong in excess of the capital contribution requirement under the joint venture agreement. Based on the estimation of the Directors, the excess value is approximately RMB92 million (equivalent to approximately HK\$88.5 million). In addition, Citychamp has agreed to indemnify Jing Guan for 51% of any losses incurred by Jing Guan as a result of the Dartong Guarantee. In light of the foregoing, Jing Guan, a wholly-owned subsidiary of the Company, agreed to provide the Dartong Guarantee.

The Directors believe that there is an enormous demand for enamelled copper wires, the products manufactured by Dartong, in the PRC. Moreover, the business of Dartong will help to diversify the Group's revenue sources. As such, the granting of the Dartong Guarantee in order to obtain the necessary bank loans is in the interests of the Company and the Shareholders.

Based on the aforesaid, the Directors including all independent non-executive Directors believe that the terms of the Citychamp Guarantee and the Dartong Guarantee are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole.

#### **LISTING RULES IMPLICATIONS**

As Dartong is owned as to 51% by Citychamp, the Dartong Guarantee is required to aggregate with the Citychamp Guarantee pursuant to the Listing Rules. Save as disclosed herein, the Group do not have any amounts due from and guarantees given on behalf of Citychamp, its subsidiaries or its affiliated companies. The aggregate value of the Citychamp Guarantee and the Dartong Guarantee of RMB35 million (equivalent to approximately HK\$33.7 million) exceeds 8% of one of the percentage ratios under Rule 14.07 of the Listing Rules. Therefore, the Company is required to disclose details of the Citychamp Guarantee and the Dartong Guarantee pursuant to Rule 13.13 of the Listing Rules.

In addition, the aggregation of the Citychamp Guarantee and the Dartong Guarantee constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules as the aggregate value of the guarantees exceeds 5% but less than 25% of one of the percentage ratios under Rule 14.07 of the Listing Rules. A circular containing, among other things, details of the Citychamp Guarantee and the Dartong Guarantee will be despatched to the Shareholders as soon as practicable.

#### **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.

#### **DEFINITIONS**

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

“Board”	the board of Directors
“Citychamp”	冠城大通股份有限公司 (Citychamp Dartong Company Limited), the shares of which are listed on the Shanghai Stock Exchange in the PRC and the company is not a connected person of the Company
“Citychamp Guarantee”	the loan guarantee provided by Ebohr in favour of Citychamp in relation to a loan facility of RMB17 million (equivalent to approximately HK\$16.3 million) granted to Citychamp
“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 and the word “connected” shall be construed accordingly
“Dartong”	福州大通機電有限公司 (Fuzhou Dartong M&E Co., Ltd.), a sino-foreign equity joint venture established in the PRC on 3 June 2005 and is owned as to 51% by Citychamp and 49% by the Company
“Dartong Guarantee”	the loan guarantee provided by Jing Guan in favour of Dartong in relation to a loan facility of RMB18 million (equivalent to approximately HK\$17.3 million) granted to Dartong
“Director(s)”	the director(s) of the Company
“Ebohr”	依波精品(深圳)有限公司 (EBOHR Luxuries International Company Limited), a company established in the PRC and a wholly-owned subsidiary of the Company
“Fuzhou Yingrong”	福州盈榕投資有限公司 (Fuzhou Yingrong Investment Company Limited), a company established in the PRC and is owned as to approximately 68.5% and 31.5% by Ms. Sit and Ms. Lu respectively
“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

“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 and a wholly-owned subsidiary of the Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Lu”	陸曉珺 (Lu Xiaojun), a shareholder of Fuzhou Yingrong
“Ms. Sit”	Sit Lai Hei, a shareholder of Fuzhou Yingrong and a non-executive Director
“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
“%”	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, 26 January 2006