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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 14.36 OF THE LISTING RULES

Financial Adviser to China Haidian Holdings Limited



Quam Capital Limited

Discloseable transaction

The Directors are pleased to announce that on 6 April 2006, the Company entered into a joint venture agreement and a revised articles of association with Citychamp and Qingjiang in relation to, among other things, the Company agreed to invest a sum of RMB25 million (equivalent to approximately HK\$24.0 million) in cash for a 25% interest in the registered capital of Dartong Qingjiang. Dartong Qingjiang, a domestic company established in the PRC, is principally engaged in the manufacture and sale of enamelled copper wires in the PRC. Upon completion of the Capital Contribution, Dartong Qingjiang will become an equity joint venture and its name will be changed to Jiangsu Dartong.

The Capital Contribution contemplated under the JV Agreement and the Revised Articles constitutes a “discloseable transaction” for the Company under the Listing Rules. A circular containing, among other things, details of the JV Agreement and the Revised Articles will be despatched to the Shareholders as soon as practicable.

Disclosure pursuant to Rule 14.36 of the Listing Rules

References are made to the announcements dated 3 December 2004 and 1 March 2005 and circular dated 25 April 2005 issued by the Company in relation to the acquisition of an aggregate of a 21% interest in Beijing Haidian by the Company and Jing Guan, a wholly-owned subsidiary of the Company, from Beijing Haikai and Commercial Facility. The Company wishes to announce that there had been a material delay in the completion of the S&P Agreements in accordance with the requirements of Rule 14.36 of the Listing Rules.

On 25 June 2005, the parties to the S&P Agreements entered into supplemental agreements in relation to, among other things, the extension of the long stop date of the S&P Agreements to 28 June 2006 (unless the parties agree otherwise). At the time of entering into the Supplemental Agreements, there was only one condition to the S&P Agreements remained outstanding and the Company expected that it would be fulfilled shortly thereafter.

The Company has since then been repeatedly reassured by the management of Beijing Haidian that the outstanding condition to the S&P Agreement would be fulfilled in a short period of time. Nevertheless, the S&P Agreements as supplemented by the Supplemental Agreements have not yet been completed as at the date of this announcement.

The Company currently anticipates that the S&P Agreements as supplemented by the Supplemental Agreements will be completed before the long stop date, being 28 June 2006. The Company will make further announcement, if necessary, in this regard in accordance with the requirements of the Listing Rules.

THE JV AGREEMENT AND THE REVISED ARTICLES

Date

6 April 2006

Parties

- (a) The Company;
- (b) Citychamp; and
- (c) Qingjiang.

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

Fuzhou Fengrong, the single largest shareholder of Citychamp, is interested in approximately 27.0% of the issued share capital of Citychamp. Fuzhou Fengrong 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 also 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 Fengrong 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 27.0% 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. Citychamp is a controlling shareholder of Fuzhou Dartong, a jointly-controlled entity of the Company.

Save as disclosed above, to the best knowledge of the Directors, information and belief, having made all reasonable enquiries, Citychamp, Qingjiang and their respective ultimate beneficial owners are independent of and not connected with the Company or its connected persons.

Qingjiang is principally engaged in the manufacture and sale of electrical equipment and enamelled copper wires.

Capital Contribution

Dartong Qingjiang is a domestic company established in the PRC and is owned as to 55% by Citychamp and 45% by Qingjiang. Pursuant to the JV Agreement and the Revised Articles, the Company agreed to invest a sum of RMB25 million (equivalent to approximately HK\$24.0 million) for a 25% interest in the registered capital of Dartong Qingjiang. Therefore, the registered capital of Dartong Qingjiang will increase from RMB75 million (equivalent to approximately HK\$72.1 million) to RMB100 million (equivalent to approximately HK\$96.1 million). Dartong Qingjiang will then become a joint venture and be renamed as Jiangsu Dartong.

The investment cost of RMB25 million (equivalent to approximately HK\$24.0 million) will be paid in cash. The Company will pay RMB10 million (equivalent to approximately HK\$9.6 million) within the first month upon signing of the JV Agreement and the remaining RMB15 million (equivalent to approximately HK\$14.4 million) will be paid within two months upon signing of the JV Agreement. The Company will finance the investment with the Group's internal resources.

Pursuant to the JV Agreement, the total investment of Jiangsu Dartong will be RMB230 million (equivalent to approximately HK\$221.2 million). The difference between the total investment and the registered capital of Jiangsu Dartong is RMB130 million (equivalent to HK\$125 million). The respective amount of the future capital or cash injection by the venturers in relation to such difference is not stipulated in the JV Agreement. Therefore, the Company has no capital commitment to provide extra investment to Jiangsu Dartong other than the Capital Contribution. If the Company increases its investment in Jiangsu Dartong, the Company will comply with the relevant requirements of the Listing Rules.

Registered capital

Set out below is a table showing the existing structure of Dartong Qingjiang and the structure upon completion of the Capital Contribution.

	Existing structure		Upon completion of the Capital Contribution	
	Registered capital RMB	%	Registered capital RMB	%
Citychamp	41,250,000	55.00	41,250,000	41.25
Qingjiang	33,750,000	45.00	33,750,000	33.75
The Company	—	—	25,000,000	25.00
	<u>75,000,000</u>	<u>100.00</u>	<u>100,000,000</u>	<u>100.00</u>

Upon completion of the Capital Contribution, Citychamp, Qingjiang and the Company will share any subsequent profit or loss arising from the operations of Jiangsu Dartong in proportion of their respective interests in Jiangsu Dartong. Profit retained prior to completion of the Capital Contribution will only be shared between the existing owners, Citychamp and Qingjiang.

Composition of board of directors

The board of directors of Jiangsu Dartong shall comprise seven members. Citychamp, Qingjiang and the Company will nominate four, two and one member(s) respectively. Major corporate matters including changes in articles of association, termination and dismissal of Jiangsu Dartong, and changes in its registered capital are subject to the directors' unanimous approval. Other matters are required to be approved by half of the directors. The Company's interest in Jiangsu Dartong will be accounted for as an investment in an associate in its financial statements.

Term

Jiangsu Dartong will have an initial term of 20 years commencing from the issue date of its business license and is extendable by the approval of the board of directors of Jiangsu Dartong and the relevant regulatory authority in the PRC.

Conditions precedent

The JV Agreement and the Revised Articles are effective upon the obtaining of all necessary regulatory approvals in the PRC.

INFORMATION ON DARTONG QINGJIANG

Dartong Qingjiang is a domestic company established in the PRC in April 2003. At that time, Dartong Qingjiang was owned as to 50%, 45% and 5% by Citychamp, Qingjiang and three persons respectively. Citychamp acquired a 5% interest in Dartong Qingjiang from the three persons in March 2006. As a

result, Citychamp and Qingjiang have 55% and 45% interest in the registered capital of Dartong Qingjiang respectively.

Dartong Qingjiang is principally engaged in the manufacture and sale of special types of enamelled copper wires in the PRC. The enamelled copper wires produced by Dartong Qingjiang are predominantly used in various electrical machinery and equipment, automobiles, electrical tools and transformers. Its production plant is located at 中國江蘇省淮安市經濟技術開發區大通路1號 (1 Datong Road, Economic and Technology Development Zone of Huaian City, Jiangsu Province, the PRC). Dartong Qingjiang has obtained the ISO 9000 certificate for quality control.

The audited net profits before and after taxation of Dartong Qingjiang were approximately RMB12.4 million (equivalent to approximately HK\$11.9 million) and approximately RMB8.1 million (equivalent to approximately HK\$7.8 million) for the year ended 31 December 2004 respectively. For the year ended 31 December 2005, its audited net profits before and after taxation were approximately RMB10.4 million (equivalent to approximately HK\$10.0 million) and approximately RMB9.7 million (equivalent to approximately HK\$9.3 million) respectively. In addition, the audited net asset value of Dartong Qingjiang was approximately RMB86.2 million (equivalent to approximately HK\$82.9 million) as at 31 December 2005.

REASONS FOR THE CAPITAL CONTRIBUTION

The enamelled copper wires produced by Dartong Qingjiang are predominantly used in various electrical machinery and equipment, automobiles, electrical tools and transformers. The PRC has become the worldwide manufacturing and processing centre after entering into the World Trade Organisation. Numerous international manufacturing enterprises have relocated their factories to the PRC in recent years and as a result, there is an enormous demand for enamelled copper wires in the PRC. Therefore, the Directors believe that the investment in Dartong Qingjiang represents a good opportunity for the Group to further invest in the enamelled copper wires business.

Dartong Qingjiang has been profitable since its first year of operation. Its management expects that the demand for enamelled copper wires in the PRC will continue to increase. Thus, Dartong Qingjiang intends to raise its production capacity to cope with the increase in demand. The amount of the Capital Contribution will be applied for the business expansion. The investment in Dartong Qingjiang enables the Group to capture the fast growing enamelled copper wires business in the PRC. In addition, the investment would enhance the Group's earnings base. Thus, the Directors believe that the investment in Dartong Qingjiang is in the interests of the Shareholders as a whole.

The terms of the JV Agreement and the Revised Articles including the amount of the Capital Contribution were negotiated on arm's length basis. The equity interests are in proportion of the respective contributions of the venturers in the registered capital of Jiangsu Dartong. Citychamp, Qingjiang and the Company will share any subsequent profit or loss arising from the operations of Jiangsu Dartong in proportion of their respective interests in Jiangsu Dartong. The Directors, therefore, consider that the terms of the JV Agreement and the Revised Articles are fair and reasonable.

DISCLOSURE PURSUANT TO RULE 14.36 OF THE LISTING RULES

References are made to the announcements dated 3 December 2004 and 1 March 2005 and circular dated 25 April 2005 issued by the Company in relation to the acquisition of an aggregate of a 21% interest in Beijing Haidian by the Company and Jing Guan, a wholly-owned subsidiary of the Company, from Beijing Haikai and Commercial Facility. The Company wishes to announce that there had been a material delay in the completion of the S&P Agreements in accordance with the requirements of Rule 14.36 of the Listing Rules.

Under the S&P Agreements, the long stop date of the S&P Agreements was 26 June 2005. Completion of the S&P Agreements was conditional on, among other things, the obtaining of the necessary approval from 北京市商務局 (the Commerce Department of Beijing). By 25 June 2005, all the other conditions to the S&P Agreements have been duly fulfilled. Pursuant to the S&P Agreements, the Purchasers have so far paid a consideration of RMB40,068,000 (equivalent to approximately HK\$37,800,000) to the Vendors.

On 25 June 2005, the Purchasers and the Vendors entered into the Supplemental Agreements extending the long – stop date of the S&P Agreements to 28 June 2006 (unless the parties agree otherwise) and replacing the relevant terms stipulated in the S&P Agreements with the followings:–

- (a) if both parties do not receive the approval from 北京市商務局 (the Commerce Department of Beijing) within 19 months from the date of signing of the first S&P Agreements or any such other dates as agreed by both parties (the “Relevant Period”), the S&P Agreement shall cease to have any effect and the vendor shall immediately refund the full consideration paid by the purchaser; and
- (b) in the event that any of the other two S&P Agreements fail to take effect before the Relevant Period, the purchaser shall have the right to terminate the Acquisition and demand the full refund of the consideration received by the vendor.

To obtain the aforementioned approval by 北京市商務局 (the Commerce Department of Beijing), Beijing Haidian is required to submit, among other things, its revised articles of association, which in turn requires the approval of all of its existing shareholders. Due to some management changes in one of the shareholders of Beijing Haidian (the “Beijing Haidian Shareholder”) in the first half of 2005, the shareholders’ approval of its revised articles of association was still pending in June 2005.

It is noted that all of the six shareholders of Beijing Haidian unanimously agreed on the Acquisition in October 2004 by a resolution before the Vendors and the Purchasers entering into the first S&P Agreements on 29 November 2004. By June 2005, Beijing Haidian has obtained all of the other documents necessary for submission to 北京市商務局 (the Commerce Department of Beijing) except its revised articles of association. In addition, it is expected that the approval by 北京市商務局 (the Commerce Department of Beijing) will be obtained within one month after submission of the application. As such, the management of Beijing Haidian was optimistic that the outstanding condition to the S&P Agreement would be fulfilled shortly after the signing of the Supplemental Agreements.

Given the above and the fact that all the other conditions to the S&P Agreements have been duly fulfilled except the aforesaid approval by 北京市商務局 (the Commerce Department of Beijing) in June 2005, the Company have reasons to believe that the S&P Agreements would be completed shortly after the Supplemental Agreements were entered into by the relevant parties. Furthermore, the Company has since then been repeatedly reassured by the management of Beijing Haidian that the outstanding condition to the S&P Agreement would be fulfilled in a short period of time. Nevertheless, the S&P Agreements as supplemented by the Supplemental Agreements have not yet been completed as at the date of this announcement.

As 海澱區國家資產管理委員會 (the National Asset Management Committee of Haidian District) has recently agreed to assist in soliciting the Beijing Haidian Shareholder to approve Beijing Haidian’s revised articles of association, the Company currently anticipates that the S&P Agreements as supplemented by the Supplemental Agreements will be completed before the long stop date, being 28 June 2006. The Company will make further announcements, if necessary, in this regard in accordance with the requirements of the Listing Rules.

GENERAL

The Group is principally engaged in the manufacture and sale of watches and clocks, property investment and development, and manufacturing and distribution of timber products. The Company also has a 49% interest in Fuzhou Dartong which is principally engaged in the manufacture and sale of enamelled copper wires in the PRC. The enamelled copper wires produced by Fuzhou Dartong are used in colour display and colour picture tube in televisions, frequency conversion machinery and air-conditioning compressors.

The Capital Contribution contemplated under the JV Agreement and the Revised Articles constitutes a “discloseable transaction” for the Company under the Listing Rules.

A circular containing, among other things, details of the JV Agreement and the Revised Articles 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:

“Acquisition”	the acquisition of an aggregate of a 21% interest in Beijing Haidian by the Purchasers from the Vendors
“Beijing Haidian”	北京海澱科技園建設股份有限公司 (Beijing Haidian Science Park Development Co., Ltd.), a company established in the PRC
“Beijing Haikai”	北京海開房地產集團公司 (Beijing Haikai Real Estate Group Company), a company established in the PRC
“Board”	the board of Directors
“Capital Contribution”	the Company’s proposed investment of RMB25 million (equivalent to approximately HK\$24.0 million) for a 25% interest in the registered capital of Dartong Qingjiang pursuant to the JV Agreement and the Revised Articles
“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 it is not a connected person of the Company as defined under the Listing Rules
“Commercial Facility”	北京市海澱區商業設施建設經營公司 (Commercial Facility Construction and Managing Company of Haidian District of Beijing), a company established in the PRC
“Company”	China Haidian Holdings Limited 中國海澱集團有限公司, 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 Qingjiang”	江蘇大通清江機電有限公司 (Jiangsu Dartong Qingjiang M&E Co. Ltd.), a company established in the PRC and is owned as to 55% by Citychamp and 45% by Qingjiang. The company will be renamed as Jiangsu Dartong upon completion of the Capital Contribution
“Director(s)”	the director(s) of the Company
“Fuzhou 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 and is owned as to 51% by Citychamp and 49% by the Company

“Fuzhou Fengrong”	福州豐榕投資有限公司 (Fuzhou Fengrong Investment Company Limited) (previously known as 福州盈榕投資有限公司 (Fuzhou Yingrong Investment Company Limited)) is a company established in the PRC and 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
“Jiangsu Dartong”	江蘇大通機電有限公司 (Jiangsu Dartong M&E Co., Ltd.), a sino-foreign equity joint venture to be established in the PRC and will be owned as to 41.25%, 33.75% and 25% by Citychamp, Qingjiang and the Company respectively
“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
“JV Agreement”	the joint venture agreement dated 6 April 2006 among Citychamp, Qingjiang and the Company relating to, among other things, the Capital Contribution
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Lu”	陸曉珺 (Lu Xiaojun), a shareholder of Fuzhou Fengrong
“Ms. Sit”	Ms. Sit Lai Hei, a shareholder of Fuzhou Fengrong and a non-executive Director
“PRC”	The People’s Republic of China
“Purchasers”	the Company and Jing Guan
“Qingjiang”	江蘇清江電機股份有限公司 (Jiangsu Qingjiang Electrical Holdings Company Limited), a company established in the PRC
“Revised Articles”	the revised articles of association of Dartong Qingjiang dated 6 April 2006 among Citychamp, Qingjiang and the Company
“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
“S&P Agreements”	three sale and purchase agreements dated 29 November 2004 entered into between the following parties: <ul style="list-style-type: none"> (a) the Company, as the purchaser, and Beijing Haikai, as the vendor; (b) the Company, as the purchaser, and Commercial Facility, as the vendor; and (c) Jing Guan, as the purchaser, and Commercial Facility, as the vendor,

as supplemented by respective supplemental agreements dated 1 December 2004 and 28 February 2005 in relation to the Acquisition

“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
“Supplemental Agreements”	three supplementary agreements dated 25 June 2005 between the parties to each of the S&P Agreements
“Vendors”	Beijing Haikai and Commercial Facility
“%”	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, 10 April 2006