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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)**

### PLACING OF NEW SHARES UNDER GENERAL MANDATE

#### Placing Agent



華富嘉洛證券有限公司  
Quam Securities Company Limited

The Company announces that on 8 June 2006, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to place, on a best effort basis, 247,200,000 new Shares, at the Placing Price of HK\$0.2 per Placing Share.

The Placing Shares represent approximately 16.0% of the existing issued share capital of the Company and approximately 13.8% of the issued share capital of the Company as enlarged by the Placing.

The Placing Price represents (i) a discount of approximately 6.0% to the closing price of HK\$0.212 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 10.5% to the average closing price of approximately HK\$0.221 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a discount of approximately 12.0% to the average closing price of approximately HK\$0.224 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

The net proceeds from the Placing to be received by the Company are estimated to be approximately HK\$48.4 million. The net Placing Price is estimated to be approximately HK\$0.196 per Placing Share.

#### INTRODUCTION

The Company announces that on 8 June 2006, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to place, on a best effort basis, 247,200,000 new Shares, at the Placing Price of HK\$0.2 per Placing Share.

#### THE PLACING AGREEMENT

##### Date

8 June 2006

##### Parties involved

- (a) the Company; and
- (b) the Placing Agent.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Group.

## **Placing Shares**

The Placing Shares represent approximately 16.0% of the existing issued share capital of the Company and approximately 13.8% of the issued share capital of the Company as enlarged by the Placing.

The Placing Shares will be issued under the Issue Mandate granted to the Directors at the annual general meeting of the Company held on 25 May 2006 which remained unutilised as at the date of this announcement. Pursuant to the Issue Mandate, the Company can issue up to 308,966,133 new Shares. Immediately upon completion of the Placing, the Issue Mandate will be approximately 80.0% utilised and the Company can issue a further 61,766,133 new Shares under the Issue Mandate.

When issued and fully paid, the Placing Shares will rank pari passu in all respects among themselves and with the Shares in issue at the time of the allotment and issue of the Placing Shares.

The Placing will be conducted on a best effort basis by the Placing Agent. An announcement will be made by the Company in the event that the number of Placing Shares is less than 247,200,000 Shares.

## **Placing Price**

The Placing Price represents (i) a discount of approximately 6.0% to the closing price of HK\$0.212 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 10.5% to the average closing price of approximately HK\$0.221 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a discount of approximately 12.0% to the average closing price of approximately HK\$0.224 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

The Placing Price was determined on 8 June 2006 and was negotiated on an arm's length basis between the parties to the Placing Agreement by reference to the recent trading prices of the Shares. The Directors consider that the Placing Price is fair and reasonable and comparable to similar recent placing transactions in the market, and in the best interests of the Company.

## **Placees**

The Placing Shares will be placed to not less than six independent individual, corporate and/or institutional investors, and who and whose ultimate beneficial owners are not connected persons (as defined in the Listing Rules) of the Group and its connected persons, on a best effort basis to subscribe for the Placing Shares on the terms and subject to the conditions set out in the Placing Agreement.

No placee will become a substantial shareholder (as defined in the Listing Rules) of the Company as a result of the Placing.

## **Conditions of the Placing**

The Placing is conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares.

If the above condition is not fulfilled by 28 June 2006 or such later date as the parties to the Placing Agreement may agree, the obligations and liabilities of the Company and the Placing Agent under the Placing Agreement shall be null and void and the Company and the Placing Agent shall be released from all rights and obligations pursuant to the Placing Agreement.

## **Completion of the Placing**

Completion of the Placing is expected to take place on the third business day following the day on which the Placing Agreement becomes unconditional (or such later date as may be agreed by the Company and the Placing Agent).

## **REASONS FOR THE PLACING AND USE OF PROCEEDS**

Assuming 247,200,000 new Shares will be placed, the gross proceeds from the Placing will be approximately HK\$49.4 million. The net proceeds, after deducting related placing commission, professional fees and all related expenses incurred in connection with the Placing, which will be borne by the Company, are expected to be approximately HK\$48.4 million. The net Placing Price, after deducting the aforesaid expenses, is estimated to be approximately HK\$0.196 per Placing Share.

It is intended that the net proceeds will be applied as follows:

- (i) approximately HK\$14.4 million will be invested as the Company's outstanding capital contribution in Jiangsu Dartong Qingjiang M&E Co. Ltd. as disclosed in the Company's announcement and circular dated 10 April 2006 and 2 May 2006 respectively;

- (ii) approximately HK\$28.8 million will be used to relocate the factory of Seti Timber Industry (Shenzhen) Co., Ltd., the Group's operating subsidiary in the timber business, in Shenzhen, PRC; and
- (iii) the remaining balance of approximately HK\$5.2 million will be retained as general working capital.

Although the current equity market in Hong Kong has experienced a minor downturn recently, the trading volume remains robust. The average daily turnover of the Main Board of the Stock Exchange during January to May 2006 surged 98% to approximately HK\$33,032 million as compared to the corresponding period in 2005 and the Hang Seng Index has increased approximately 3.9% from the end of 2005 up to the Last Trading Day. In view of the foregoing, the Directors consider that the Placing offers a good opportunity to raise capital and to strengthen the financial position of the Group after taking into account the prevailing market conditions. The Directors are of the view that the terms of the Placing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company has not issued any equity securities in the 12 months immediately preceding the date of this announcement.

### **EFFECT OF THE PLACING ON THE SHAREHOLDING STRUCTURE**

Assuming 247,200,000 new Shares will be placed under the Placing, the shareholding structure of the Company immediately before and after the Placing is summarised as follows:

	Existing number of Shares held	Approximate %	Number of Shares immediately held after completion of the Placing	Approximate %
Sincere View International Limited ( <i>Note</i> )	625,393,515	40.5	625,393,515	34.9
Existing public Shareholders	919,437,154	59.5	919,437,154	51.3
Placees	–	–	247,200,000	13.8
	<u>1,544,830,669</u>	<u>100</u>	<u>1,792,030,669</u>	<u>100</u>

*Note:* Sincere View International Limited is owned as to 50% by Mr. Hon Kwok Lung, chairman of the Board, and as to 20% by Ms. Lam Suk Ying, the wife of Mr. Hon.

### **GENERAL**

Application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Placing Shares.

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Hon Kwok Lung, Mr. Wang Shaolan, Mr. Shang Jianguang, Mr. Shi Tao and Mr. Lam Toi Man, one non-executive director, namely Ms. Sit Lai Hei, and three independent non-executive directors, namely Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael and Mr. Li Qiang.

### **DEFINITIONS**

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

“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;
“Directors”	directors of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Issue Mandate”	the general mandate granted to the Directors to allot and issue new Shares pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company held on 25 May 2006;
“Last Trading Day”	8 June 2006, being the last trading day immediately prior to the issue of this announcement;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;

“Placing”	the placing of the Placing Shares on a best effort basis pursuant to the terms of the Placing Agreement;
“Placing Agent”	Quam Securities Company Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the SFO;
“Placing Agreement”	the agreement dated 8 June 2006 entered into between the Company and the Placing Agent in relation to the Placing;
“Placing Price”	HK\$0.2 per Placing Share;
“Placing Shares”	247,200,000 new Shares to be placed through the Placing Agent by the Company pursuant to the Placing Agreement;
“PRC”	The People’s Republic of China, which for the purpose of this announcement only, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong; and
“%”	per cent.

By Order of the Board  
**CHINA HAIDIAN HOLDINGS LIMITED**  
**Hon Kwok Lung**  
*Chairman*

Hong Kong, 8 June 2006