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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)

VERY SUBSTANTIAL DISPOSAL – PROPOSED ASSET TRANSACTION AND RESUMPTION OF TRADING IN SHARES

Financial Adviser to China Haidian Holdings Limited



Quam Capital Limited

THE ASSET TRANSACTION

On 19 July 2006, Starlex, a wholly-owned subsidiary of the Company, and Citychamp, a company listed on the SSE, entered into the Asset Transaction Agreement, pursuant to which:

- (a) Starlex has conditionally agreed to dispose of, and Citychamp has conditionally agreed to acquire, the entire issued share capital of Jing Guan; and
- (b) Citychamp has conditionally agreed to allot and issue the Consideration Shares and pay RMB270,000 (equivalent to approximately HK\$259,615) to Starlex as the Consideration.

Upon Completion, Starlex will be interested in approximately 16.3% of the issued share capital of Citychamp as enlarged by the issue of the Consideration Shares.

GENERAL

The Asset Transaction Agreement constitutes a “very substantial disposal” for the Company under Chapter 14 of the Listing Rules, and is therefore subject to the approval of the Shareholders. The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Asset Transaction Agreement and the transactions contemplated thereunder. No Shareholder is required to abstain from voting at the EGM.

A circular containing, among other things, details of the Asset Transaction and the notice of the EGM will be despatched to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 18 July 2006 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 28 July 2006.

Shareholders and potential investors of the Company should note that the Asset Transaction Agreement, which is subject to the Conditions, may or may not proceed. Accordingly, shareholders and prospective investors of the Company are reminded to exercise caution when trading in the Shares.

THE ASSET TRANSACTION AGREEMENT

Date

19 July 2006

Parties involved

- (a) Starlex; and
- (b) Citychamp.

Starlex is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company. The principal activity of Starlex is investment holding.

Citychamp is a company listed on the SSE in the PRC. The Citychamp Group is principally engaged in property investment, and manufacture and sale of enamelled copper wires.

Fujian Fengrong, the single largest shareholder of Citychamp, is interested in approximately 27.6% of the issued share capital of Citychamp as at the date of this announcement. Fujian 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 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. 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.

Fujian 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 27.6% indirect interests in Citychamp, have control over the board of directors of Citychamp and its subsidiaries and thus Ms. Sit and Ms. Lu are unable 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 is a director of Citychamp while Ms. Lu does not hold any position in Citychamp.

Citychamp is the controlling shareholder of Fuzhou Dartong, a jointly-controlled entity of the Company. Citychamp is also the controlling shareholder of Jiangsu Dartong, an associate of the Company.

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

Subject matter

On 19 July 2006, Starlex and Citychamp entered into the Asset Transaction Agreement, pursuant to which:

- (a) Starlex has conditionally agreed to dispose of, and Citychamp has conditionally agreed to acquire, the entire issued share capital of Jing Guan; and
- (b) Citychamp has conditionally agreed to allot and issue the Consideration Shares and pay RMB270,000 (equivalent to approximately HK\$259,615) cash to Starlex as the Consideration.

Consideration

The Consideration is RMB360 million (equivalent to approximately HK\$346.2 million) and will be satisfied by Citychamp in the following manner:

- (a) approximately RMB359.7 million (equivalent to approximately HK\$345.9 million) by way of the allotment and issue of 63 million Citychamp Shares to Starlex at an issue price of RMB5.71 (equivalent to approximately HK\$5.49) within 60 business days upon Completion; and
- (b) the balance of RMB270,000 (equivalent to approximately HK\$259,615) payable in cash within 20 business days upon Completion.

On 9 June 2006, the shareholders of Citychamp approved the issue of bonus shares of 1.5 Citychamp Shares and a cash dividend of RMB0.167 (equivalent to approximately HK\$0.161) for every 10 Citychamp Shares held on 6 August 2006. If the Asset Transaction is completed after the said bonus issue and dividend payout, the issue price of the Consideration Shares will be adjusted to RMB4.95 (equivalent to approximately HK\$4.76) per Consideration Share with the number of Consideration Shares to be issued being 72,720,000 Citychamp Shares, and the remaining balance of the Consideration payable in cash being RMB36,000 (equivalent to approximately HK\$34,615).

The issue price per Consideration Share of RMB5.71 (equivalent to approximately HK\$5.49) has been determined on the basis of the average closing price of RMB5.71 (equivalent to approximately HK\$5.49) per Citychamp Share for the 20 trading days preceding 18 July 2006, being the date on which Citychamp's board of directors approved the proposed Asset Transaction Agreement. The issue price of RMB5.71 (equivalent to approximately HK\$5.49) per Consideration Share represents:

- a discount of approximately 10.9% to the closing price of RMB6.41 (equivalent to approximately HK\$6.16) per Citychamp Share on 17 July 2006, being the last trading day prior to suspension of trading in the Citychamp Shares pending the issue of the announcement in respect of the board resolution of Citychamp approving the proposal of the Asset Transaction;
- a discount of approximately 2.1% to the average closing price of RMB5.83 (equivalent to approximately HK\$5.61) per Citychamp Share for the 10 trading days up to and including 17 July 2006; and
- a premium of approximately 0.2% over the average closing price of RMB5.70 (equivalent to approximately HK\$5.48) per Citychamp Share for the 30 trading days up to and including 17 July 2006.

The Consideration of RMB360 million (equivalent to HK\$346.2 million) represents a premium of approximately 301.8% to the share of the unaudited consolidated net asset value of the Citychamp Group of approximately RMB89.6 million (approximately HK\$86.2 million) as at 31 March 2006, which was prepared under PRC accounting standards.

Save for the three-year lock up period commencing on the date of issue of the Consideration Shares pursuant to 外國投資者對上市公司戰略投資管理辦法 (The Rules Governing Strategic Investments into Listed Companies by Foreign Companies), the Consideration Shares will rank pari passu in all respects with the Citychamp Shares as at the date of allotment.

The Consideration Shares represent approximately 19.5% of the existing issued share capital of Citychamp and approximately 16.3% of the issued share capital of Citychamp as enlarged by the issue of the Consideration Shares. If the Asset Transaction is completed after the aforesaid bonus issue and dividend payout by Citychamp, the number of Consideration Shares will be adjusted to 72,720,000 Citychamp Shares, representing (i) approximately 19.6% of the issued share capital of Citychamp as enlarged by the issue of bonus Citychamp Shares; and (ii) approximately 16.4% of the issued share capital of Citychamp as enlarged by the issue of bonus Citychamp Shares and the Consideration Shares.

The Consideration has been determined after arm's length negotiations between Starlex and Citychamp taking into consideration of the following factors:

- (a) the consideration represents a premium of 2.8% over the unaudited net asset value of the Jing Guan Group as at 31 May 2006 of approximately HK\$336.7 million after the inclusion of the revaluation surplus of its properties of approximately HK\$205.1 million based on an independent valuation prepared by Greater China Appraisal Limited, an independent valuer, as at 31 May 2006 using the direct comparison method;
- (b) the prevailing share price of the Citychamp Shares; and
- (c) the Consideration Shares are subject to a three-year lock up period commencing on the date of issue.

The Directors (including the independent non-executive Directors) consider that the terms of the Asset Transaction Agreement, including the terms of the Consideration Shares, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The Asset Transaction Agreement is conditional upon the following conditions being fulfilled:

- (a) the passing of a resolution by the board of directors of Citychamp at its board meeting and the shareholders of Citychamp at its general meeting approving the Asset Transaction Agreement and the transactions contemplated thereunder;
- (b) the passing of an ordinary resolution by the Shareholders at the EGM approving the Asset Transaction Agreement and the transactions contemplated thereunder;

- (c) 中國商務部 (Ministry of Commerce of the PRC) approving the Asset Transaction;
- (d) 北京市商務局 (Commerce Department of Beijing) approving the change in the shareholding structure of Jing Guan; and
- (e) the China Securities Regulatory Commission approving the allotment and issue of the Consideration Shares to Starlex by Citychamp and waiving all such mandatory general offer obligations, in respect of the Citychamp Shares, as a result of the transactions contemplated under the Asset Transaction Agreement.

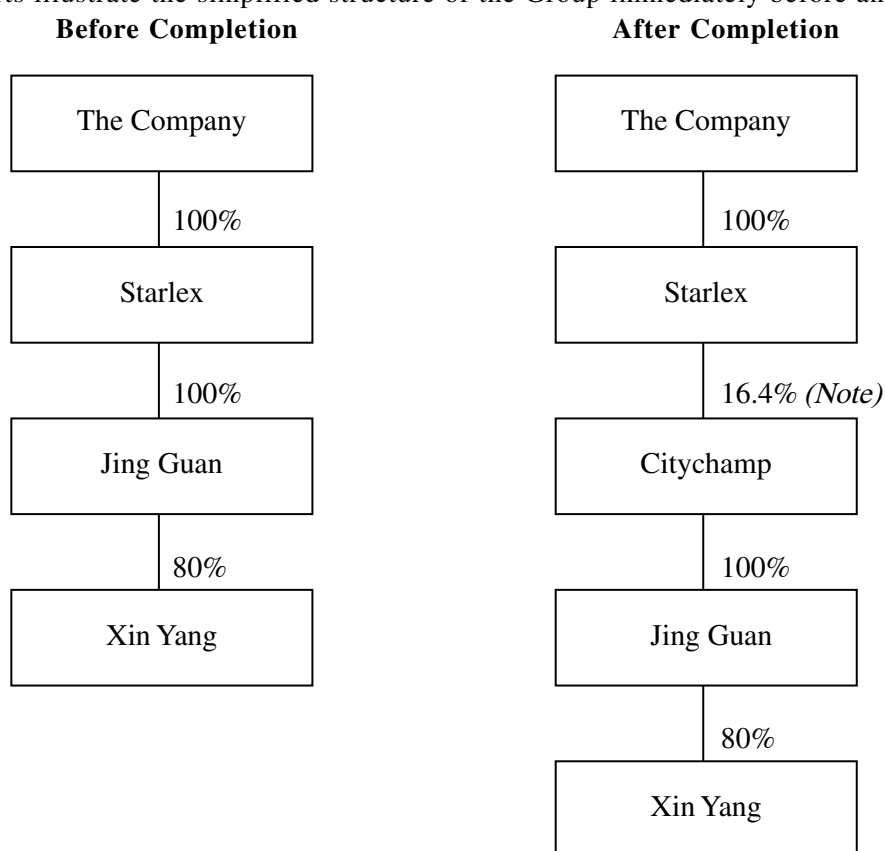
Completion

Completion shall take place within 60 business days from the day that the Conditions have been fulfilled.

Starlex and Citychamp will each use their respective best endeavours to fulfil, or procure the fulfilment of, the Conditions (to the extent such party is responsible for such fulfilment). If any of the Conditions is not fulfilled due to unforeseeable, unavoidable and insurmountable circumstances, the parties may terminate the Asset Transaction Agreement.

SHAREHOLDING STRUCTURE OF THE GROUP

The following charts illustrate the simplified structure of the Group immediately before and after Completion:



Note: Based on the assumption that Completion takes place after 6 August 2006.

INFORMATION ON THE JING GUAN GROUP

Overview

Jing Guan is a private company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Starlex. Jing Guan has a 80% equity interest in the registered capital of Xin Yang, which is a private company incorporated in the PRC with limited liability. Both Jing Guan and Xin Yang are principally engaged in the property development and investment in the PRC.

Major properties of the Jing Guan Group are set out below:

Name of properties	Usage	Gross floor area	Jing Guan Group's attributable interests	Status
<i>Properties under development</i> 北京太陽宮新區東部E區 第1, 2, 3, 4, 5, 6, 7及9樓 (Blocks No. 1, 2, 3, 4, 5, 6, 7 and 9, Eastern Land Group of Area E, Taiyanggong New District, Beijing)	Residential/ Commercial/ Car Park	Approximately 59,800.33 sq.m. of residential and commercial spaces and 439 car parking spaces	100%	Construction in progress
<i>Properties held for future development</i> 北京崇文區廣渠門外南街 A及B區危改項目 (Redevelopment Project Areas A&B, Guangqumen Wai Nan Street, Chongwen District, Beijing)	Office/Hotel/ Residential/ Commercial	Approximately 328,454 sq.m.	80%	Demolition work in progress
<i>Properties held for self-occupation or investment</i> 北京海澱區冠城園第8樓 部分第7層 (Portion of Level 7 Block 8, Guancheng Yuan, Haidian District, Beijing)	Office	Approximately 503.81 sq.m.	100%	Occupied by the Group as its office
北京海澱區冠城園第8樓 第4層、第5層及部分第7層 (Level 4, Level 5 and Portion of Level 7 Block 8, Guancheng Yuan, Haidian District, Beijing)	Office	Approximately 2,459.28 sq.m.	100%	The property is leased to several tenants

Based on the valuation report prepared by Greater China Appraisal Limited, an independent valuer, the aggregate market value of the properties attributable to the Jing Guan Group as at 31 May 2006 amounted to RMB888.7 million (equivalent to approximately HK\$854.5 million). The property interests are valued by the direct comparison method based on prices realised or market prices of comparable properties.

Financial information

The Group has provided Citychamp the financial information of the Jing Guan Group for the two years ended 31 December 2005 and the five months ended 31 May 2006 during the course of due diligence conducted by Citychamp. Save for the aforesaid, the Group has not provided any other financial information of the Jing Guan Group to Citychamp.

The table below sets forth the unaudited consolidated financial results of the Jing Guan Group for the two years ended 31 December 2005 and the five months ended 31 May 2006 according to the Hong Kong accounting standards:

	Year ended 31 December 2004	Year ended 31 December 2005	Five months ended 31 May 2006
Turnover	HK\$210.2 million	HK\$312.9 million	HK\$1.3 million
Profit before taxation and minority interests	HK\$41.6 million	HK\$47.8 million	HK\$235.3 million (Note)
Profit after taxation and minority interests	HK\$28.1 million	HK\$30.0 million	HK\$201.4 million

Note: Profit before taxation and minority interests includes a revaluation gain on properties of approximately HK\$205.1 million.

The table below sets forth the extracts of the unaudited consolidated balance sheets of the Jing Guan Group as at 31 December 2004, 31 December 2005 and 31 May 2006.

	31 December 2004	31 December 2005	31 May 2006
Total assets	HK\$608.1 million	HK\$909.0 million	HK\$1,408.7 million (Note)
Total liabilities	HK\$505.2 million	HK\$755.0 million	HK\$1,007.3 million
Net assets	HK\$102.9 million	HK\$135.3 million	HK\$336.7 million
Minority interests	–	HK\$18.7 million	HK\$64.7 million

Note: Total assets of the Jing Guan Group include an adjustment of the revaluation surplus of its properties.

It is stated in the preliminary announcement dated 19 July 2006 issued by the board of directors of Citychamp in relation to the Asset Transaction that assuming the Asset Transaction is completed on 30 September 2006, the Jing Guan Group is expected to contribute RMB19.5 million (equivalent to approximately HK\$18.8 million) to Citychamp's profit for the year ending 31 December 2006 based on Citychamp's existing accounting policies; and its contribution for the two years ending 31 December 2008 is expected to be RMB61.0 million (equivalent to approximately HK\$58.7 million) and RMB100.0 million (equivalent to approximately HK\$96.2 million) respectively, based on the new accounting standards of the PRC which will become effective commencing from 1 January 2007. The profit forecasts are prepared by Citychamp in compliance with regulatory provisions issued by the China Securities Regulatory Commission.

It should be noted that the aforementioned profit forecasts of Jing Guan are made by Citychamp in its own accord and the Group has not involved in preparation of the profit forecasts. Therefore, the Company takes no responsibility for the contents of the above statement and makes no representation as to its accuracy. Shareholders and potential investors of the Company are advised to exercise caution in considering the above information.

INFORMATION ON THE CITYCHAMP GROUP

Overview

Citychamp was established in 1986 and incorporated in the PRC with its domestic A shares listed on the SSE. In January 2006, Citychamp successfully completed the Share Reform Plan, pursuant to which Citychamp's non-tradable shares were converted into tradable shares.

The Citychamp Group is principally engaged in property investment, and manufacture and sale of enamelled copper wires. The Citychamp Group generated gross profit (before tax and other surcharges) of approximately RMB324.8 million (equivalent to approximately HK\$312.3 million) for the year ended 31 December 2005 according to the PRC accounting standards. Property investment was the Citychamp Group's major profit contributor in 2005, representing about 71.3% of its gross profit. The enamelled copper wires business accounted for approximately 26.4% of the Citychamp Group's gross profit.

Major properties of the Citychamp Group are set out below:

Name of properties	Usage	Gross floor area	Citychamp Group's attributable interests	Status
<i>Properties held for sale</i> 北京太陽宮新區太陽星城 F區 (Sunpalace Garden Area F in the Taiyanggong New District of Beijing)	Residential/ Commercial/ Car Park	Approximately 400,000 sq.m.	85%	Close to be completely sold
北京太陽宮新區太陽星城 C區 (Sunpalace Garden Area C in the Taiyanggong New District of Beijing)	Residential/ Commercial/ Car Park	Approximately 250,000 sq.m.	40%	Demolition and relocation works in progress
北京太陽宮新區太陽星城 C區 (Sunpalace Garden Area C in the Taiyanggong New District of Beijing)	Residential/ Commercial/ Car Park	Approximately 236,000 sq.m.	40%	Demolition and relocation works in progress
北京太陽宮新區太陽星城 B區 (Sunpalace Garden Area B in the Taiyanggong New District of Beijing)	Residential/ Commercial/ Car Park	Approximately 350,000 sq.m.	40%	Demolition and relocation works in progress
廣西桂林市飛風路2號 清秀花園 (Qingxiu Garden, 2 Feifeng Road, Guilin City, Guangxi Province)	Residential	Approximately 30,000 sq.m.	75%	Approximately 50% sold
湖南省衡陽市石鼓區 桑園路1-29號冠城江景 (Guancheng Jiangjing, 1-29 Sangyuan Road, Shigu District, Hengyang City, Hunan Province)	Residential	Approximately 56,318 sq.m.	51%	Construction in progress
湖南省衡陽市石鼓區沿 江北路2-54號朱陵閣 (Zhuling Mansion, 2-54 Yuanjiang North Road, Shigu District, Hengyang City, Hunan Province)	Residential	Approximately 7,259 sq.m.	51%	Construction in progress

福建省福州市鼓樓區 源厝村東側梅亭居 (Meitingju, Yuancuocun East, Gulou District, Fuzhou City, Fujian Province)	Residential	Approximately 89,200 sq.m.	100%	Construction and pre-sale in progress
安徽省蘇州市北側相城區 黃埭鎮 (Huangdaizhen, Xiangcheng District, Suzhou City East, Anhui Province)	Residential	Approximately 93,400 sq.m.	100%	Demolition work in progress

The Citychamp Group has been engaged in the manufacture and sale of enamelled copper wires in the PRC for more than 30 years. Citychamp's enamelled copper wires business is operated by its 41.25%-owned Jiangsu Dartong, the 51%-owned Fuzhou Dartong and the wholly-owned Citychamp M&E. The Company has a 49% interest in Fuzhou Dartong and a 25% interest in Jiangsu Dartong. The enamelled copper wires produced by the Citychamp Group are predominately used in various electrical machinery and equipment, automobiles, electrical tools and transformers. The Citychamp Group commenced to produce enamelled copper wires used in colour television panels, colour picture tubes, transducers and air conditioning compressors in September 2005. The Citychamp Group has three production plants located at 中國江蘇省淮安市經濟技術開發區 (Economic and Technology Development Zone of Huaian City, Jiangsu Province, the PRC), 中國福建省福州市福馬路 81 號 (81 Fuma Road, Fuzhou City, Fujian Province, the PRC) and 中國福建省福州市馬尾經濟技術開發區 (Economic and Technology Development Zone of Mawei District, Fuzhou City, Fujian Province, the PRC). The aggregate annual production capacity of the Citychamp Group amounts to 50,000 tonnes of enamelled copper wires.

Financial information

The table below sets forth the consolidated financial results of the Citychamp Group for the two years ended 31 December 2005 and the three months ended 31 March 2006 according to the PRC accounting standards:

	Audited		Unaudited
	Year ended 31 December 2004	Year ended 31 December 2005	Three months ended 31 March 2006
Profit before taxation	RMB115.4 million (equivalent to approximately HK\$111.0 million)	RMB171.5 million (equivalent to approximately HK\$164.9 million)	RMB45.2 million (equivalent to approximately HK\$43.5 million)
Profit after taxation and minority interests	RMB64.1 million (equivalent to approximately HK\$61.6 million)	RMB97.4 million (equivalent to approximately HK\$93.7 million)	RMB28.6 million (equivalent to approximately HK\$27.5 million)

As at 31 March 2006, the unaudited net asset value of the Citychamp Group was RMB549.6 million (equivalent to approximately HK\$528.5 million).

REASONS FOR AND BENEFITS OF THE ASSET TRANSACTION

With the fast economic growth in the PRC and the PRC's accession to the World Trade Organisation, the outlook of the property market in the PRC is considered to be promising. As mentioned in the Company's annual report for the year ended 31 December 2005, the main direction for the development of the Group in the next two to three years is to seek for mainland property development opportunities. The Citychamp Group has a proven track record and management expertise in property development in the PRC. Upon Completion, the Group will have an indirect investment in high quality property projects in the PRC through its shareholding interest in Citychamp without the financial requirement to provide funding for their development.

Enamelled copper wires are used in electrical machinery, home appliances, telecommunication equipment, vehicles and measuring devices. 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. Moreover, the high growth in the PRC electricity industry results in a high demand for enamelled copper wires since these wires are essential for all electrical generators, machinery, transformers and many other electricity-related accessories.

Given the promising prospect of the property development and enamelled copper wires businesses in the PRC, the Directors consider that the investment in Citychamp will enable the Group to capture and participate in the growth of these businesses without substantial funding requirements. Therefore, the Asset Transaction represents an attractive investment opportunity for the Group.

Pursuant to the Share Reform Plan, Fujian Fengrong, the single largest shareholder of Citychamp, has agreed to transfer 20,866,336 Citychamp Shares from its shareholding to the holders of the Non-restricted Tradable Shares if the compound annual growth rate of net profit of the Citychamp Group between 2005 and 2007 is less than 30%. Details of the aforesaid scheme will be disclosed in the circular in relation to the Asset Transaction to be despatched to the Shareholders in due course. For illustrative purpose, based on the audited net profit of the Citychamp Group for the year ended 31 December 2004 of RMB64.1 million (equivalent to approximately HK\$61.6 million) and the compound annual growth rate of 30%, net profit for the years ended 31 December 2006 and 2007 is RMB108.4 million (equivalent to approximately HK\$104.2 million) and RMB140.9 million (equivalent to approximately HK\$135.5 million) respectively. Fujian Fengrong has also agreed that it will propose and vote for a resolution at Citychamp's annual general meetings between 2005 and 2007 to approve the distribution of at least 40% of the year's profit available for distribution to the shareholders of Citychamp. Citychamp distributed 40.5% of the profit available for distribution to its shareholders for the year ended 31 December 2005.

The Directors consider that the Asset Transaction is a good opportunity for the Group to have an interest in a listed company with a sound profit track record, a high dividend payout ratio and promising prospect at a discount to its share prices immediately prior to the determination of the issue price of the Consideration Shares. Therefore, the Directors (including the independent non-executive Directors) consider that the Asset Transaction is in the interests of the Group and the Shareholders as a whole.

IMPACT OF THE ASSET TRANSACTION ON THE GROUP

Jing Guan and its 80%-owned Xin Yang are the Company's subsidiaries that are involved in property development business. Upon Completion, Jing Guan and Xin Yang will cease to be subsidiaries of the Company and become the subsidiaries of Citychamp. Save for the proposed acquisition of a 15% equity interest in Beijing Haidian by the Company and the indirect interest in the Jing Guan Group, the Group will not have any interest in property development projects. Details of the proposed acquisition of Beijing Haidian are set out in the Company's announcements dated 3 December 2004, 1 March 2005, 10 April 2006 and 26 June 2006. As a result of the disposal of Jing Guan, the Group would record gains on disposal of subsidiaries of approximately HK\$9.5 million, being the difference between the Consideration and the unaudited net asset value of Jing Guan as at 31 May 2006.

Citychamp will be accounted for as an investment available-for-sale of the Group. According to the accounting policy of the Group, an investment available-for-sale is measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Upon Completion, the net asset value of the Group would increase by approximately HK\$9.5 million according to the Hong Kong accounting standards. Other than the property development business, which is the assets to be disposed of under the Asset Transaction, the Group generated a combined turnover of approximately HK\$321.4 million from other businesses for the year ended 31 December 2005. Based on the historical results, the Group would have a sufficient level of operations after Completion.

GENERAL

The Group is principally engaged in the manufacture and sale of watches and clocks, and property investment and development, manufacture and distribution of timber products; and manufacture and sale of enamelled copper wires in the PRC.

The Asset Transaction constitutes a "very substantial disposal" for the Company under Chapter 14 of the Listing Rules, and is therefore subject to the approval of the Shareholders. The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Asset Transaction Agreement and the transactions contemplated thereunder.

A circular containing, among other things, details of the Asset Transaction, the accountants' report of the Citychamp Group and the notice of the EGM will be despatched to the Shareholders as soon as practicable.

Shareholders and potential investors of the Company should note that the Asset Transaction Agreement, which is subject to the Conditions, may or may not proceed. Accordingly, shareholders and prospective investors of the Company are reminded to exercise caution when trading in the Shares.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 18 July 2006 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 28 July 2006.

DEFINITIONS

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

"Asset Transaction"

the transaction in relation to the transfer of the entire issued share capital of Jing Guan from Starlex to Citychamp and the allotment and issue of the Consideration Shares by Citychamp to Starlex as contemplated under the Asset Transaction Agreement

“Asset Transaction Agreement”	the agreement dated 19 July 2006 entered into between Starlex and Citychamp in relation to the Asset Transaction
“associates”	has the meaning ascribed thereto in the Listing Rules
“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
“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 SSE in the PRC
“Citychamp Group”	Citychamp and its subsidiaries
“Citychamp M&E”	冠城大通機電分公司 (Citychamp M&E Branch Co.), a company incorporated in the PRC and a wholly-owned subsidiary of Citychamp
“Citychamp Share(s)”	the ordinary share(s) of RMB1.00 (equivalent to approximately HK\$0.96) each in the issued share capital of Citychamp
“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
“Completion”	completion of the Asset Transaction in accordance with the terms of the Asset Transaction Agreement
“Conditions”	conditions precedent to Completion set out in the Asset Transaction Agreement
“connected person”	has the meaning ascribed thereto in the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	the consideration payable by Citychamp for the acquisition of the entire issued share capital of Jing Guan from Starlex
“Consideration Share(s)”	Citychamp Share(s) to be allotted and issued to Starlex under the Asset Transaction Agreement
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, to approve the Asset Transaction Agreement and the transactions contemplated thereunder
“Fujian Fengrong”	福建豐榕投資有限公司 (Fujian 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
“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 with the voting power equally shared between the two shareholders
“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”	江蘇大通電機有限公司 (Jiangsu Dartong M&E Co. Ltd.), a sino-foreign equity joint venture established in the PRC and is 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
“Jing Guan Group”	Jing Guan and its subsidiary, Xin Yang
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Lu”	陸曉珺 (Lu Xiaojun), a shareholder of Fujian Fengrong
“Ms. Sit”	薛黎曦 (Sit Lai Hei), a shareholder of Fujian Fengrong and a non-executive Director
“Non-restricted Tradable Shares”	tradable Citychamp Shares that are not subject to any lock-up period
“PRC”	The People’s Republic of China

“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
“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)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Reform Plan”	the share reform plan of Citychamp pursuant to which Citychamp’s non-tradable shares were converted into tradable shares in January 2006
“SSE”	The Shanghai Stock Exchange
“Starlex”	Starlex Limited, a company established in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq.m.”	square metre(s)
“Xin Yang”	北京鑫陽房地產開發有限公司 (Beijing Xin Yang Property Development Co., Ltd.), a company established in the PRC and is owned as to 80% by Jing Guan, 12% by 李世強 (Li Shiqiang) and 8% by 林希 (Lin Xi)
“%”	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, 27 July 2006