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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 AND CONNECTED TRANSACTION

Financial Adviser to China Haidian Holdings Limited



THE SHARE DISPOSAL

On 22 April 2013, Starlex, a wholly-owned subsidiary of the Company, and Fujian Fengrong entered into the Share Disposal Agreement, pursuant to which Starlex conditionally agreed to sell and Fujian Fengrong conditionally agreed to acquire not less than 55,000,000 and not more than 58,000,000 Citychamp Shares through the Shanghai Stock Exchange block trading system after normal trading hours. Pursuant to the Share Disposal Agreement, the selling price per Citychamp Sale Share will be determined based on the closing price of the Citychamp Shares on the date of transaction and the Minimum Selling Price, whichever is higher, provided that such selling price is within the Permissible Price Range. Based on the Minimum Selling Price, the Consideration will range between approximately RMB330.0 million (equivalent to approximately HK\$412.5 million) and approximately RMB348.0 million (equivalent to approximately HK\$435.0 million).

Starlex currently owns 173,989,058 Citychamp Shares, representing approximately 14.78% of the issued share capital of Citychamp. Upon Completion, Starlex's interest in Citychamp will range between approximately 9.86% and approximately 10.11%.

GENERAL

The Share Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Fujian Fengrong is owned as to approximately 68.5% by Ms. Sit and 31.5% by Ms. Lu. Ms. Sit is an executive Director. Ms. Sit and Mr. Lu are daughters-in-law of Mr. Hon Kwok Lung, an executive Director and the controlling Shareholder. As such, Fujian Fengrong is a connected person of the Company. The Share Disposal also constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules and is subject to the approval by the Independent Shareholders at the EGM by way of poll.

The EGM will be convened at which a resolution will be proposed to seek the Independent Shareholders' approval of the transactions contemplated under the Share Disposal Agreement. Fujian Fengrong, its ultimate beneficial owners and its associates as well as Mr. Hon Kwok Lung and his associates are required to abstain from voting at the EGM.

The Independent Board Committee, comprising the independent non-executive Directors, will be formed to advise the Independent Shareholders on the terms of the Share Disposal Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Share Disposal; (ii) a letter from the Independent Board Committee; (iii) a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Share Disposal; and (iv) the notice of the EGM will be despatched to the Shareholders as soon as practicable.

THE SHARE DISPOSAL

The Board announces that on 22 April 2013, Starlex, a wholly-owned subsidiary of the Company, and Fujian Fengrong entered into the Share Disposal Agreement. The major terms of the Share Disposal Agreement are set forth below:

THE SHARE DISPOSAL AGREEMENT

Date

22 April 2013

Parties

Vendor: Starlex, a wholly-owned subsidiary of the Company
Purchaser: Fujian Fengrong

The principal activity of both Starlex and Fujian Fengrong is investment holding.

Fujian Fengrong is the single largest shareholder of Citychamp. As at the date of this announcement, Fujian Fengrong owns 297,104,078 Citychamp Shares, representing approximately 25.25% of the issued share capital of Citychamp.

Fujian Fengrong is owned as to approximately 68.5% by Ms. Sit and 31.5% by Ms. Lu. Ms. Sit is an 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, together with his wife collectively controlled approximately 62.7% of the Company as at the date of this announcement. Hence, Ms. Lu is also a connected person of the Company. Fujian Fengrong, being an associate of Ms. Sit and Ms. Lu, also constitutes a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

Subject matter

Pursuant to the Share Disposal Agreement, Starlex conditionally agreed to sell and Fujian Fengrong conditionally agreed to acquire not less than 55,000,000 and not more than 58,000,000 Citychamp Shares through the Shanghai Stock Exchange block trading system after the normal trading hours.

Consideration

Pursuant to the dealing restrictions of the Shanghai Stock Exchange on block trades, the selling price of the Citychamp Sale Shares shall be determined within the range of plus or minus 10% of the closing price of the Citychamp Shares on the last trading day prior to the date of transaction (“**Permissible Price Range**”). Pursuant to the Share Disposal Agreement, the selling price per Citychamp Sale Share will be determined based on the closing price of the Citychamp Shares on the date of transaction and the Minimum Selling Price, whichever is higher, provided that such selling price is within the Permissible Price Range. For the avoidance of doubt, in the event that the higher of the closing price of the Citychamp Shares on the date of transaction and the Minimum Selling Price does not fall within the Permissible Price Range, the Share Disposal will not proceed. Based on the Minimum Selling Price, the Consideration will range between approximately RMB330.0 million (equivalent to approximately HK\$412.5 million) and approximately RMB348.0 million (equivalent to approximately HK\$435.0 million).

The Minimum Selling Price was arrived at after arm’s length negotiations between Starlex and Fujian Fengrong taking into consideration the prevailing closing prices of the Citychamp Shares and the possible change in market condition. The Minimum Selling Price represents:

- (i) a discount of approximately 11.2% to the closing price of RMB6.76 (equivalent to approximately HK\$8.45) per Citychamp Share on 22 April 2013, being the last trading day of the Citychamp Shares prior to the date of the Share Disposal Agreement;
- (ii) a discount of approximately 10.6% to the average closing price of approximately RMB6.71 (equivalent to approximately HK\$8.39) per Citychamp Share for the five trading days up to and including 22 April 2013;
- (iii) a discount of approximately 6.0% to the average closing price of approximately RMB6.38 (equivalent to approximately HK\$7.98) per Citychamp Share for the 30 trading days up to and including 22 April 2013;
- (iv) a premium of approximately 6.8% to the average closing price of approximately RMB5.62 (equivalent to approximately HK\$7.03) per Citychamp Share for the 180 trading days up to and including 22 April 2013; and
- (v) a premium of approximately 12.8% to the average closing price of approximately RMB5.32 (equivalent to approximately HK\$6.65) per Citychamp Share for the 360 trading days up to and including 22 April 2013.

The Minimum Selling Price provides flexibility for the Company to accommodate change in market condition and enables the Company to dispose of the Citychamp Sale Shares at the lowest acceptable price. The Directors (other than the independent non-executive Directors whom will give their view after considering the advice of an independent financial adviser) consider that terms of the Share Disposal Agreement are fair and reasonable.

Conditions precedent

The Share Disposal is conditional upon the fulfillment of the following conditions: (i) the approval of the Share Disposal Agreement and the transactions contemplated thereunder by the Independent Shareholders having been obtained at the EGM; and (ii) the higher of the closing price of the Citychamp Shares on the date of transaction and the Minimum Selling Price falls within the Permissible Price Range.

The Share Disposal shall take place after the conditions above have been fulfilled. Completion shall take place and Starlex will receive the Consideration in full on the date of completion of the registration of the transfer of the Citychamp Sale Shares pursuant to the relevant PRC securities regulations and procedures.

INFORMATION OF THE CITYCHAMP GROUP

Overview

The Citychamp Shares are listed on the Shanghai Stock Exchange. The Citychamp Group is principally engaged in property development and investment, and manufacture and sale of enamelled copper wires in the PRC. The property development projects of the Citychamp Group are mainly located in Beijing, Nanjing, Suzhou, Fuzhou and Guilin. The enamelled copper wire production plants of the Citychamp Group are located in Fujian and Jiangsu provinces, the PRC. The enamelled copper wires produced by the Citychamp Group are mainly used in colour display, colour picture tube, televisions conversion machinery, air-conditioning compressors, electrical machinery and equipment, automobiles, electrical tools and transformers.

Financial information

The Citychamp Shares held by Starlex are recorded as available-for-sale financial assets in the Group's accounts. The carrying value of the Citychamp Shares held by Starlex amounted to approximately HK\$807.6 million and approximately HK\$1,409.1 million as at 31 December 2011 and 31 December 2012 respectively. The Group received dividend income of approximately HK\$6.6 million and approximately HK\$17.2 million from Citychamp for each of the two years ended 31 December 2012 respectively. The Group also received bonus shares of 65,245,897 Citychamp Shares during the year ended 31 December 2012 pursuant to a bonus issue of Citychamp.

The following table sets out the consolidated financial information of the Citychamp Group as extracted from Citychamp's annual report for the year ended 31 December 2012 and quarterly report for the three months ended 31 March 2013.

	For the year ended 31 December		For the three month ended
	2011	2012	31 March
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	9,320,059	6,256,272	1,208,958
Net profit before taxation	1,146,110	1,143,878	743,631
Net profit after taxation	824,438	861,742	680,132

As at 31 December 2012, the audited net asset value of the Citychamp Group was approximately RMB3,578.2 million. As at 31 March 2013, the unaudited net asset value of the Citychamp Group was approximately RMB4,259.6 million.

FINANCIAL EFFECT OF THE SHARE DISPOSAL

For illustration purposes only, based on the attributable proportion of the Citychamp Sale Shares to the total carrying value of the Group's investment in Citychamp of approximately HK\$1,409.1 million and total corresponding investment revaluation reserve of approximately HK\$725.4 million as at 31 December 2012, the Consideration for the Citychamp Sale Shares of range between approximately RMB330.0 million (equivalent to approximately HK\$412.5 million) and approximately RMB348.0 million (equivalent to approximately HK\$435.0 million), and the related withholding tax and transaction costs, the gain from the Share Disposal would range between approximately HK\$180.8 million and approximately HK\$190.6 million. The actual gain on the Share Disposal will be calculated on the date of Completion.

As at the date of this announcement, Starlex owns 173,989,058 Citychamp Shares, representing approximately 14.78% of the issued share capital of Citychamp. Upon Completion, Starlex's interest in Citychamp will range between approximately 9.86% and approximately 10.11%. The remaining Citychamp Shares to be held by Starlex will continue to be recorded as available-for-sale financial assets in the Group's accounts.

REASONS FOR AND BENEFITS OF THE SHARE DISPOSAL

The Group is principally engaged in the manufacture and distribution of watches and timepieces, property investment, and the distribution of yachts.

The Share Disposal provides a good opportunity for the Group to partially realise its interest in Citychamp, a non-core asset, at a gain and to strengthen its financial position. Based on the Minimum Selling Price, the aggregate net proceeds from the Share Disposal is estimated to range between approximately HK\$396.9 million and approximately HK\$418.6 million. It is intended that the net proceeds from the Share Disposal will be used to finance any strategic acquisitions or investments in watches and timepieces business and as general working capital

for the Group. This is in line with the Group's strategy as stated in the 2012 annual report that the Group would keep on identifying and evaluating opportunities and undertake mergers, acquisitions and alliances deals that are in the interests of the Shareholders.

Fujian Fengrong and Starlex are the largest and second largest shareholder of Citychamp respectively. Pursuant to annual report of Citychamp for the year ended 31 December 2012, Fujian Fengrong and Starlex are parties acting in concert. The Directors consider that it is in the interest of the Company to sell the Citychamp Sale Shares to Fujian Fengrong instead of independent third parties as any reduction of the aggregate shareholding interests of Fujian Fengrong and Starlex may be perceived as bad news by shareholders and potential investors of Citychamp, which might adversely affect prices of Citychamp Shares and therefore affect the value of the remaining Citychamp Shares held by Starlex after Completion.

In light of the foregoing, the Directors (other than the independent non-executive Directors whom will give their view after considering the advice of an independent financial adviser) consider that the Share Disposal is in the interests of the Company and the Shareholders as a whole.

GENERAL

The Share Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Fujian Fengrong is owned as to approximately 68.5% by Ms. Sit and 31.5% by Ms. Lu. Ms. Sit is an executive Director. Ms. Sit and Mr. Lu are daughters-in-law of Mr. Hon Kwok Lung, an executive Director and the controlling Shareholder. As such, Fujian Fengrong is a connected person of the Company. The Share Disposal also constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules and is subject to the approval by the Independent Shareholders at the EGM by way of poll.

The EGM will be convened at which a resolution will be proposed to seek the Independent Shareholders' approval of the transactions contemplated under the Share Disposal Agreement. Fujian Fengrong, its ultimate beneficial owners and its associates as well as Mr. Hon Kwok Lung and his associates are required to abstain from voting at the EGM.

The Independent Board Committee, comprising the independent non-executive Directors, will be formed to advise the Independent Shareholders on the terms of the Share Disposal Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Mr. Hon Kwok Lung and Ms. Sit, the executive Directors, have abstained from voting on the board resolution approving the Share Disposal.

A circular containing, among other things, (i) details of the Share Disposal; (ii) a letter from the Independent Board Committee; (iii) a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Share Disposal; and (iv) the notice of the EGM 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:

“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Citychamp”	冠城大通股份有限公司 (Citychamp Dartong Company Limited), a company established in the PRC and the shares of which are listed on the Shanghai Stock Exchange in the PRC
“Citychamp Group”	Citychamp and its subsidiaries
“Citychamp Sale Shares”	not less than 55,000,000 and not more than 58,000,000 Citychamp Shares held by Starlex proposed to be sold to Fujian Fengrong pursuant to the Share Disposal Agreement, and “Citychamp Sale Share” shall mean any one of Citychamp Sale Shares
“Citychamp Share(s)”	the ordinary share(s) of RMB1.00 (equivalent to approximately HK\$1.25) 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 Main Board of the Stock Exchange
“Completion”	completion of the Share Disposal Agreement
“connected person”	has the meaning ascribed thereto in the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	consideration for the Citychamp Sale Shares payable by Fujian Fengrong pursuant to the Share Disposal Agreement
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the transactions contemplated under the Share Disposal Agreement

“Fujian Fengrong”	福建豐榕投資有限公司 (Fujian Fengrong Investment Company Limited), 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
“Independent Board Committee”	the committee of the Board comprising the independent non-executive Directors which will be formed to advise the Independent Shareholders on the terms of the Share Disposal Agreement
“Independent Shareholders”	Shareholders other than Fujian Fengrong, its ultimate beneficial owners and its associates as well as Mr. Hon Kwok Lung and his associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minimum Selling Price”	the minimum selling price of RMB6.0 (equivalent to approximately HK\$7.5) per Citychamp Sale Share as stipulated under the Share Disposal Agreement
“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 an executive Director
“Permissible Price Range”	as defined in the sub-section headed “Consideration” under the section headed “The Share Disposal Agreement” of this announcement
“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 HK\$1 = RMB0.8
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Share Disposal”	the disposal of the Citychamp Sale Shares pursuant to the Share Disposal Agreement

“Share Disposal Agreement”	the conditional sale and purchase agreement entered into between Starlex and Fujian Fengrong on 22 April 2013 in respect of the Share Disposal
“Shareholder(s)”	holder(s) of the Share(s)
“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
“%”	per cent.

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

Hong Kong, 22 April 2013

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