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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)

MAJOR AND CONNECTED TRANSACTION; APPLICATION FOR WHITEWASH WAIVER AND RESUMPTION OF TRADING

Financial Adviser to China Haidian Holdings Limited



Quam Capital Limited

THE AGREEMENT

On 20 August 2008 after trading hours, the Company and the Vendor entered into the Agreement pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire issued share capital of Jia Cheng for a consideration of HK\$525 million to be satisfied entirely by the allotment and issue of 1,750 million Consideration Shares at HK\$0.30 each.

The Consideration Shares represent approximately 97.65% of the existing issued share capital of the Company and approximately 49.41% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

WHITEWASH WAIVER

As at the date of this announcement, the Vendor, its ultimate beneficial owner and parties acting in concert with any of them (including Fujian Fengrong, Ms. Sit and Ms. Lu) were interested in 683,441,515 Shares, representing approximately 38.14% of the issued share capital of the Company.

Upon Completion and assuming no Shares will be issued or repurchased by the Company before Completion, the Vendor, its ultimate beneficial owner and parties acting in concert with any of them (including Fujian Fengrong, Ms. Sit and Ms. Lu) will be interested in 2,433,441,515 Shares, representing approximately 68.70% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

As the interest of the Vendor, its ultimate beneficial owner and parties acting in concert with any of them (including Fujian Fengrong, Ms. Sit and Ms. Lu) will increase by more than 2% as a result of the issue of the Consideration Shares, the Vendor, its ultimate beneficial owner and parties acting in concert with any of them (including Fujian Fengrong, Ms. Sit and Ms. Lu) will be obliged to make an unconditional mandatory offer for all the issued Shares not already owned or agreed to be acquired by them pursuant to Rule 26.1 of the Takeovers Code. An application will be made to the Executive by the Vendor for the Whitewash Waiver to waive the obligation to make a general offer under Rule 26 of the Takeovers Code. Completion of the Agreement is subject to, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders at the EGM by poll in accordance with the Takeovers Code.

GENERAL

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. The Vendor is beneficially wholly-owned by Mr. Hon, an executive Director. Mr. Hon and Ms. Lam wholly own Sincere View, the controlling Shareholder. As such, the Vendor is a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the approval by the Independent Shareholders at the EGM by poll.

The EGM will be convened at which resolutions will be proposed to seek the Independent Shareholders' approval of the transactions contemplated under the Agreement, the issue of the Consideration Shares and the Whitewash Waiver. Sincere View, its ultimate beneficial owners, their respective associates and parties acting in concert with any of them (including Fujian Fengrong, Ms. Sit and Ms. Lu) and those who (if any) are involved in or interested in the Acquisition and the Whitewash Waiver are required to abstain from voting at the EGM.

The Independent Board Committee, comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Agreement and the Whitewash Waiver. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Further announcement will be made by the Company upon the appointment of the independent financial adviser.

A circular containing, among other things, (i) details of the Acquisition and the Whitewash Waiver; (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 Acquisition and the Whitewash Waiver; and (iv) 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 21 August 2008 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 26 August 2008.

THE AGREEMENT

Date

20 August 2008 (after trading hours)

Parties

Purchaser: the Company

Vendor: Full Day Limited

Guarantor: Mr. Hon

The Vendor is an investment holding company ultimately beneficially wholly-owned by Mr. Hon, an executive Director. Mr. Hon and Ms. Lam wholly own Sincere View, the controlling Shareholder.

Subject matter

Pursuant to the Agreement, the Company agreed to acquire and the Vendor agreed to sell the entire issued share capital of Jia Cheng at a consideration of HK\$525 million. Jia Cheng is an investment holding company. Its sole asset is its equity interest in the entire issued share capital of Actor Investments, which is in turn interested in 91% of the issued share capital of Rossini. Rossini is principally engaged in manufacture and sale of watches mainly in the PRC.

The Guarantor has unconditionally and irrevocably guaranteed to the Company the due and punctual performance and observance by the Vendor of all its obligations, commitments, undertakings, warranties, indemnities and covenants under or pursuant to the Agreement and agreed to indemnify the Company against all losses, damages, costs and expenses which the Company may suffer through or arising from any breach by the Vendor of such obligations, commitments, warranties, undertakings, indemnities or covenants.

Consideration

The Consideration of HK\$525 million will be satisfied by the Company entirely by the allotment and issue of 1,750 million Consideration Shares at HK\$0.30 each to the Vendor (or as the Vendor may direct) upon Completion. The Consideration Shares will be issued under a special mandate to be sought from the Shareholders at the EGM.

The Consideration was arrived at after arm's length negotiations between the Company and the Vendor taking into consideration of (i) the substantial improvement in Rossini's recent operating results after the takeover by Mr. Hon's family, details of which is set out in the section headed "Information of the Jia Cheng Group" below; (ii) "Rossini" brand is well recognised by customers and was awarded 中國馳名商標 (Chinese Renowned Brand) by 國家工商行政管理總局商標局 (the Trademark Office of the PRC State Administration for Industry and Commerce); (iii) Rossini's watches were awarded 中國名牌產品 (China Top Brand Products) by 國家質量監督檢驗檢疫總局 (Central Administration of Quality Supervision, Inspection and Quarantine of the PRC); and (iv) the synergy and strategic value of Rossini on the future development of the Group, details of which are set out in the section headed "Reasons for and benefits of the Acquisition" below.

The issue price of the Consideration Shares of HK\$0.30 each was arrived at after arm's length negotiations between the Company and the Vendor after taking into account the recent Share prices, in particular the average closing prices of the Shares for the five trading days prior to the signing of the Agreement. The issue price represents:

- (i) a premium of approximately 3.45% over the closing price of HK\$0.29 per Share as quoted on the Stock Exchange on 20 August 2008, being the last trading day prior to the signing of the Agreement;
- (ii) a premium of approximately 1.69% over the average closing price of approximately HK\$0.295 per Share for the five trading days up to and including 20 August 2008;
- (iii) a discount of approximately 1.64% to the average closing price of approximately HK\$0.305 per Share for the ten trading days up to and including 20 August 2008; and
- (iv) a discount of approximately 55.88% to the audited consolidated net asset value per Share attributable to the equity holders of the Company of approximately HK\$0.68 as at 31 December 2007.

The 1,750 million Consideration Shares represent approximately 97.65% of the existing issued share capital of the Company and approximately 49.41% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The Consideration Shares will rank *pari passu* in all respects with the existing Shares then in issue. There is no restriction on subsequent disposal of the Consideration Shares by the Vendor under the Agreement.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Conditions precedent

Completion is conditional upon:

- (i) the Company having notified the Vendor that it is satisfied with the results of the due diligence review and investigation as to the financial, legal, commercial and taxation aspects of the Jia Cheng Group and titles to its assets;
- (ii) the receipt of a PRC legal opinion in respect of the Jia Cheng Group to the satisfaction of the Company;
- (iii) the approval by the Shareholders in general meeting in accordance with the requirements of the Listing Rules and the Takeovers Code of the Acquisition, the transaction contemplated under the Agreement, the allotment and issue of the Consideration Shares, and the Whitewash Waiver;
- (iv) the Executive granting Mr. Hon and parties acting in concert with him the Whitewash Waiver;
- (v) if applicable, the obtaining of all consents by the Vendor from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Agreement and any of the transaction contemplated thereunder;

- (vi) there having been no breach by the Vendor or the Guarantor of any obligations, undertakings, representations and warranties under the Agreement; and
- (vii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares.

The Company may waive the above conditions (i), (ii) and (vi). If (a) any fact which would prevent any of the above conditions precedent from being satisfied on the date initially set for Completion comes to the knowledge of the Company; or (b) any of the above conditions precedent (other than condition (vi)) is not fulfilled (or waived) on or before the Long Stop Date; or (c) above condition (vi) is not fulfilled at the time of Completion, the Company will be entitled to treat the Agreement as terminated. In such event, all obligations of the Vendor and the Company under the Agreement shall cease, provided that rights and liabilities of the parties thereto which have accrued prior to termination shall subsist. If the above conditions (iii) and (iv) are not satisfied, the Agreement and the Whitewash Waiver will not proceed.

Completion shall take place on the third business day after all the above conditions precedent (other than condition (vi)) have been fulfilled or waived or such other date as the parties to the Agreement may mutually agree in writing on which Completion is to take place.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company:

	As at the date of this announcement		Immediately after Completion	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Sincere View	683,441,515	38.14%	683,441,515	19.29%
Vendor or its nominee	—	—	1,750,000,000	49.41%
Sincere View and parties acting in concert with it	683,441,515	38.14%	2,433,441,515	68.70%
Public Shareholders	1,108,589,485	61.86%	1,108,589,485	31.30%
Total	1,792,031,000	100.00%	3,542,031,000	100.00%

WHITEWASH WAIVER

As at the date of this announcement, the Vendor, its ultimate beneficial owner and parties acting in concert with any of them (including Fujian Fengrong, Ms. Sit and Ms. Lu) were interested in 683,441,515 Shares, representing approximately 38.14% of the issued share capital of the Company. None of the Vendor, its ultimate beneficial owner or any party acting in concert with any of them (including Fujian Fengrong, Ms. Sit and Ms. Lu) holds any options, warrants, derivatives or securities which are convertible into Shares.

Upon Completion and assuming no Shares will be issued or repurchased by the Company before Completion, the Vendor, its ultimate beneficial owner and parties acting in concert with any of them (including Fujian Fengrong, Ms. Sit and Ms. Lu) will be interested in 2,433,441,515 Shares, representing approximately 68.70% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

As the interest of the Vendor, its ultimate beneficial owner and parties acting in concert with any of them (including Fujian Fengrong, Ms. Sit and Ms. Lu) will increase by more than 2% as a result of the issue of the Consideration Shares, the Vendor, its ultimate beneficial owner and parties acting in concert with any of them (including Fujian Fengrong, Ms. Sit and Ms. Lu) will be obliged to make an unconditional mandatory offer for all the issued Shares not already owned or agreed to be acquired by them pursuant to Rule 26.1 of the Takeovers Code. An application will be made to the Executive by the Vendor for the Whitewash Waiver to waive the obligation to make a general offer under Rule 26 of the Takeovers Code. Completion of the transactions contemplated under the Agreement is subject to, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders at the EGM by poll in accordance with the Takeovers Code.

None of the Vendor, Sincere View, Mr. Hon, Ms. Lam and parties acting in concert with any of them (including Fujian Fengrong, Ms. Sit and Ms. Lu) has any dealings in the securities of the Company in the six-month period immediately prior to the date of this announcement.

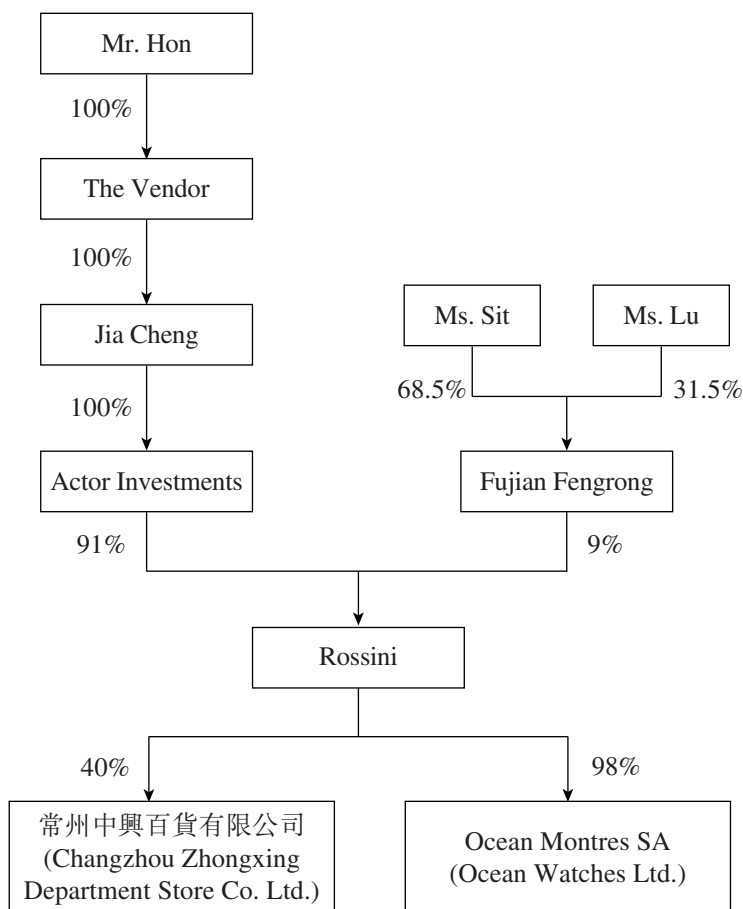
There is no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to shares of the Vendor or the Company.

The Vendor, Sincere View, Mr. Hon, Ms. Lam or any party acting in concert with them (including Fujian Fengrong, Ms. Sit and Ms. Lu) has not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

There is no agreement or arrangement to which the Vendor is party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Agreement.

INFORMATION OF THE JIA CHENG GROUP

The following chart sets out the structure of the Jia Cheng Group as at the date of this announcement:



Jia Cheng

Jia Cheng is a company incorporated in the British Virgin Islands on 20 January 2006. Jia Cheng has not carried on any business or operations save for investment holdings. Accordingly, no management accounts of Jia Cheng have been prepared up to the date of this announcement.

Actor Investments

Actor Investments is a company incorporated in Hong Kong on 19 March 2008. Save for the ownership of a 91% interest in Rossini, Actor Investments has not carried on any business or operations. No management accounts have been prepared by Actor Investments up to the date of this announcement.

Rossini

Shareholding structure

Rossini is a company established in the PRC on 13 June 1985. Fujian Fengrong acquired the entire issued share capital of Rossini through a public auction in November 2007 for a consideration of RMB262 million (equivalent to approximately HK\$298.7 million). Fujian Fengrong is a company established in the PRC and owned as to approximately 68.5% and 31.5% by Ms. Sit and Ms. Lu respectively. Ms. Sit is a non-executive Director. In addition, both Ms. Sit and Ms. Lu are daughters-in-law of Mr. Hon. None of Ms. Sit, Ms. Lu and Fujian Fengrong holds any Shares as at the date of this announcement and was involved in the negotiation of the Acquisition. After corporate reorganisation of Mr. Hon's family business, Rossini is currently owned as to 91% by Actor Investments and 9% by Fujian Fengrong. Mr. Hon's family's acquisition cost attributable to the 91% interest in Rossini owned by Actor Investments was approximately RMB238.4 million (equivalent to approximately HK\$271.8 million).

Business

Rossini is principally engaged in manufacture and sale of watches mainly in the PRC. The watches are being marketed under the brand "Rossini". Rossini has established an extensive distribution network in the PRC. Its products are distributed through retail outlets and authorised dealers in the PRC. The brand "Rossini" was awarded 中國馳名商標 (Chinese Renowned Brands) by 國家工商管理總局商標局 (the Trademark Office of the PRC State Administration for Industry and Commerce) and was one of the 2007 China 500 Most Influential Brands according to the World Brand Laboratory. In addition, Rossini's watches were awarded 中國名牌產品 (China Top Brand Products) by 國家質量監督檢驗檢疫總局 (Central Administration of Quality Supervision, Inspection and Quarantine of the PRC). Rossini's factory premise is located in Zhuhai, Guangdong Province with a gross floor area of approximately 4,206.8 square meters. It currently has 319 employees.

Investments

Rossini owns the following investments:

- (i) a 98% interest in Ocean Montres SA (Ocean Watches Ltd.), a private company incorporated in Switzerland with limited liability and is principally engaged in manufacture, sale and distribution of timepieces and relevant products. Its products are distributed in the PRC. Each of Mr. Jean-Christophe Song and Mr. Lihua Mao owns 1% interest in Ocean Montres SA (Ocean Watches Ltd.). Mr. Jean-Christophe Song and Mr. Lihua Mao are third parties independent of and not connected with the Company or its connected persons and do not hold any Shares as at the date of this announcement; and
- (ii) a 40% interest in 常州中興百貨有限公司 (Changzhou Zhongxing Department Store Co. Ltd.), a private company established in the PRC with limited liability. It is engaged in the operation of a department store, sale of labour insurance products and household electrical appliances in the PRC. The remaining 60% interest of 常州中興百貨有限公司 (Changzhou Zhongxing Department Store Co. Ltd.) is held by 12 shareholders. These shareholders and their respective ultimate beneficial owners are independent of and not connected with the Company or its connected persons and do not hold any Shares as at the date of this announcement.

Financial information

For the two years ended 31 December 2006 and 2007, the audited consolidated profit before taxation attributable to the 91% interest of Rossini owned by Actor Investments were approximately RMB21.47 million (equivalent to approximately HK\$24.48 million) and RMB27.01 million (equivalent to approximately HK\$30.79 million) respectively based on PRC accounting standards. Consolidated profit after taxation attributable to the 91% interest for each of the two years ended 31 December 2007 were approximately RMB18.29 million (equivalent to approximately HK\$20.85 million) and RMB22.65 million (equivalent to approximately HK\$25.82 million) respectively.

After the takeover of Rossini by Mr. Hon's family, its operating results have been improved substantially under the leadership of the new management team. In the first half of 2008, Rossini's net profit has exceeded the whole year's net profit in 2007. According to the accountants' report of Rossini for the six months ended 30 June 2008 issued on 5 August 2008, the audited consolidated profit before and after taxation attributable to the 91% interest of Rossini owned by Actor Investments were approximately RMB28.93 million (equivalent to approximately HK\$32.98 million) and RMB23.42 million (equivalent to approximately HK\$26.70 million) respectively based on PRC accounting standards.

As at 30 June 2008, Actor Investments' 91% share of the consolidated net asset value of Rossini was approximately RMB45.40 million (equivalent to approximately HK\$51.76 million).

Upon Completion, Jia Cheng will become a wholly-owned subsidiary of the Company and results of Jia Cheng and its subsidiaries will be consolidated into the financial statements of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the manufacture and sale of watches and timepieces; property investment; and manufacture and sale of enamelled copper wires in the PRC.

The Group sells watches under its brand "EBOHR" whereas Rossini owns the brand "Rossini". According to January to December 2007 monthly statistics issued by the China National Commercial Information Center, sales of "Rossini" brand and "EBOHR" brand of watches accounted for approximately 6.91% and 3.99% on average of the total sales of watches in large retail outlets in the PRC respectively. Among the domestic brands, "Rossini" and "EBOHR" were ranked first and third in terms of total sales in 2007 respectively. The Acquisition, therefore, provides an attractive opportunity for the Group to acquire the best-selling domestic brand to expand its watch business in the PRC. The Acquisition enables the Group to broaden its income stream and also increase its market share in the PRC watch market. Furthermore, the Group will be in a more advantageous position to negotiate better leasing terms with department store operators.

In light of the foregoing, the Directors (other than the independent non-executive Directors who will be advised by an independent financial adviser) consider that the Acquisition is in the interests of the Group and the Shareholders as a whole. The Directors (other than the independent non-executive Directors) also consider that the terms of the Agreement are on normal commercial terms; and fair and reasonable.

GENERAL

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. The Vendor is ultimately beneficially wholly-owned by Mr. Hon, an executive Director. Furthermore, Mr. Hon and Ms. Lam wholly own Sincere View, the controlling Shareholder. As such, the Vendor is a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders at the EGM by poll. There is no prior transaction which is required to be aggregated with the Agreement under Rule 14.22 of the Listing Rules.

The EGM will be convened at which resolutions will be proposed to seek the Independent Shareholders' approval of the transactions contemplated under the Agreement, the issue of the Consideration Shares and the Whitewash Waiver. Sincere View, its ultimate beneficial owners, their respective associates and parties acting in concert with any of them (including Fujian Fengrong, Ms. Sit and Ms. Lu) and those who (if any) are involved in or interested in the Acquisition and the Whitewash Waiver are required to abstain from voting at the EGM.

The Independent Board Committee, comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Agreement and the Whitewash Waiver. Ms. Sit, the non-executive Director, is considered not independent to become a member of the Independent Board Committee as (i) she is a daughter-in-law of Mr. Hon, the owner of the Vendor; and (ii) Ms. Sit through her 68.5% interest in Fujian Fengrong indirectly owns 9% interest in Rossini. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Further announcement will be made by the Company upon the appointment of the independent financial adviser.

A circular containing, among other things, (i) details of the Acquisition and the Whitewash Waiver; (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 Acquisition and the Whitewash Waiver; and (iv) 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 21 August 2008 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 26 August 2008.

DEFINITIONS

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

“Acquisition”	acquisition of the entire issued share capital of Jia Cheng by the Company under the Agreement
“acting in concert”	has the meaning ascribed to it under the Takeovers Code

“Actor Investments”	Actor Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Jia Cheng
“Agreement”	the conditional agreement dated 20 August 2008 entered into among the Company, the Vendor and the Guarantor in respect of the Acquisition
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“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 Acquisition
“connected person”	has the meaning ascribed thereto in the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	the consideration payable by the Company for the Acquisition
“Consideration Share(s)”	new Share(s) to be allotted and issued by the Company in settlement of the Consideration pursuant to the 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 Agreement, the issue of the Consideration Shares and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
“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
“Guarantor”	Mr. Hon
“HK\$”	Hong Kong dollar, 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 has been formed to advise the Independent Shareholders on the terms of the Agreement and the Whitewash Waiver

“Independent Shareholders”	Shareholders other than Sincere View, its ultimate beneficial owners, their respective associates and parties acting in concert with any of them (including Fujian Fengrong, Ms. Sit and Ms. Lu) and those who (if any) are involved in or interested in the Acquisition and the Whitewash Waiver
“Jia Cheng”	Jia Cheng Investment Limited, a company incorporated in the British Virgin Islands with limited liability
“Jia Cheng Group”	Jia Cheng and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2008 or such other date as the parties to the Agreement may agree in writing
“Mr. Hon”	Mr. Hon Kwok Lung, an executive Director
“Ms. Lam”	Ms. Lam Suk Ying, the wife of Mr. Hon
“Ms. Lu”	Ms. Lu Xiaojun, a shareholder of Fujian Fengrong
“Ms. Sit”	Ms. Sit Lai Hei, a shareholder of Fujian Fengrong 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 RMB1.00=HK\$1.14
“Rossini”	珠海羅西尼錶業有限公司 (Zhuhai Rossini Watch Industry Ltd.), a company established in the PRC with limited liability
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the 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)
“Sincere View”	Sincere View International Limited, a company incorporated in the British Virgin Islands with limited liability and owned as to 80% by Mr. Hon, an executive Director, and 20% by Ms. Lam
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	Full Day Limited, a company incorporated in the British Virgin Islands with limited liability
“Whitewash Wavier”	a waiver of the obligation to make a mandatory offer under Note 1 on dispensations from Rule 26 of the Takeovers Code as a result of the issue of the Consideration Shares
“%”	per cent

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

Hong Kong, 25 August 2008

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, Mr. Kwong Chun Wai, Michael and Mr. Li Qiang as the independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, the opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any of the statements in this announcement misleading.