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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 TRANSACTION IN RELATION TO THE ESTABLISHMENT OF JOINT VENTURE FOR DEVELOPMENT OF LAND**

**Financial Adviser to China Haidian Holdings Limited**



**Quam Capital Limited**

#### **Acquisition of the Auction PRC Land**

On 26 November 2008, Seti Trading, a wholly-owned subsidiary of the Company, and Suzhou Citychamp jointly won the bid at the Open Auction to acquire the land use right of the Auction PRC Land located in the Nanshan District, Shenzhen, Guangdong Province, PRC. On the same date, SZFDC, the Shenzhen Government, Seti Trading and Suzhou Citychamp entered into the Confirmation Letter which confirms the winning of the bid; and the Shenzhen Government, Seti Trading and Suzhou Citychamp entered into the Project Agreement that sets out the terms of the acquisition of the Auction PRC Land.

The Consideration for the acquisition of the Auction PRC Land is RMB800 million (equivalent to approximately HK\$904 million) and will be settled in cash by Seti Trading and Suzhou Citychamp in proportion to their respective interests in the JV Company.

#### **Establishment of the JV Company**

Following the successful bidding of the Auction PRC Land, Seti Trading and Suzhou Citychamp entered into the Joint Venture Agreement on 26 November 2008, pursuant to which Seti Trading and Suzhou Citychamp will procure to establish the JV Company for holding and development of the Auction PRC Land. The shareholdings of Suzhou Citychamp and Seti Trading in the JV Company shall be in the proportions of 70% and 30% respectively.

### **Listing Rules implications**

The Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to Shareholders' approval. Written approvals of the Transaction have been obtained from Sincere View and Full Day which beneficially own 683,441,515 Shares and 1,750,000,000 Shares respectively, representing approximately 19.29% and 49.41% of the issued share capital of the Company as at the date of this announcement. Mr. Hon and his wife collectively own 100% interest in Sincere View. Full Day is a company wholly-owned by Mr. Hon. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has any material interest in the Transaction and therefore no Shareholder is required to abstain from voting if the Company was to convene a general meeting for the approval of the Transaction. As such, pursuant to Rule 14.44 of the Listing Rules, the written approvals provided by Sincere View and Full Day in relation to the Transaction are accepted in lieu of holding a general meeting.

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

### **Resumption of trading in the Shares**

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 27 November 2008 pending the release of this announcement. The Company has applied for a resumption of trading in the Shares with effect from 9:30 a.m. on 1 December 2008.

## **ACQUISITION OF THE AUCTION PRC LAND**

Reference is made to the announcement dated 6 December 2007 and the circular dated 27 December 2007 issued by the Company in relation to, among other things, details of the Land Resumption Agreement and the Joint Arrangement Agreement.

The Open Auction was held on 26 November 2008. Seti Trading, a wholly-owned subsidiary of the Company, and Suzhou Citychamp jointly won the bid at the Open Auction to acquire the land use right of the Auction PRC Land located in the Nanshan District, Shenzhen, Guangdong Province, PRC. On the same date, SZFDC, the Shenzhen Government, Seti Trading and Suzhou Citychamp entered into the Confirmation Letter which confirms the winning of the bid; and the Shenzhen Government, Seti Trading and Suzhou Citychamp entered into the Project Agreement that sets out the terms of the acquisition of the Auction PRC Land.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, SZFDC and the Shenzhen Government are third parties independent of and not connected with the Company or its connected persons.

## **Consideration and payment terms**

Pursuant to the Project Agreement, the Consideration for the acquisition of the Auction PRC Land is RMB800 million (equivalent to approximately HK\$904 million) and will be settled in cash. The Consideration shall be paid in three instalments to the Shenzhen Government: (i) RMB240 million (equivalent to approximately HK\$271.2 million) shall be paid within five business days from the date of the Open Auction; (ii) RMB240 million (equivalent to approximately HK\$271.2 million) shall be paid within 180 days from the date of the Open Auction; and (iii) RMB320 million (equivalent to approximately HK\$361.6 million) shall be paid within five business days from the date of signing of the land use right transfer agreement.

The Consideration was the amount jointly bid by Seti Trading and Suzhou Citychamp at the Open Auction and is equivalent to the reserve price of the Auction PRC Land. The Consideration was determined with reference to market prices of land in the proximity and potential value of the development of the Auction PRC Land. Seti Trading is required to pay 30% of the Consideration in the amount of RMB240 million (equivalent to approximately HK\$271.2 million).

## **Source of funding**

Pursuant to the Land Resumption Agreement, the Shenzhen Government will pay Seti 89.5% of the Consideration as compensation for the Land Resumption, being RMB716 million (equivalent to approximately HK\$809.1 million). According to the Joint Arrangement Agreement, Seti and Citychamp agreed to cooperate in the restoration of the PRC Land. The respective interests of Seti and Citychamp in the Joint Arrangement are 71.27% and 28.73%. Accordingly, Seti's share of the gross proceeds from the Land Resumption is estimated to be approximately RMB510.3 million (equivalent to approximately HK\$576.6 million).

The total amount payable by Seti Trading of RMB240 million (equivalent to approximately HK\$271.2 million) will be financed by the net proceeds from the Land Resumption. Prior to the receipt of the compensation from the Shenzhen Government, Seti Trading intends to finance the payments by internal resources of the Group and/or bank borrowings.

## **ESTABLISHMENT OF THE JV COMPANY**

Following the successful bidding of the Auction PRC Land, Seti Trading and Suzhou Citychamp entered into the Joint Venture Agreement on 26 November 2008, pursuant to which Seti Trading and Suzhou Citychamp will procure to establish the JV Company for holding and development of the Auction PRC Land. The major terms of the Joint Venture Agreement will be incorporated into the Article of Association. The principal terms of the Joint Venture Agreement are as follows:

<b>Date</b>	:	26 November 2008
<b>Parties</b>	:	Seti Trading and Suzhou Citychamp

- Formation of joint venture** : Seti Trading and Suzhou Citychamp shall procure to establish the JV Company for holding and development of the Auction PRC Land.
- Name of the JV Company** : The name of the JV Company is tentatively proposed to be Shenzhen Guanyang Property Development Company Limited (深圳冠洋房地產有限公司).
- Shareholdings in the JV Company** : The shareholdings of Suzhou Citychamp and Seti Trading in the JV Company shall be in the proportions of 70% and 30% respectively.
- Registered capital** : The registered capital of the JV Company will be RMB100 million (equivalent to approximately HK\$113 million) and payable by Seti Trading and Suzhou Citychamp in cash proportionately to their respective interests in the JV Company upon obtaining the approval(s) of relevant government authorities for the formation of the JV Company.
- Total investment amount** : The total investment amount of the JV Company shall be approximately RMB1.5 billion (equivalent to approximately HK\$1.7 billion). It is intended that the funding required to finance the development of the Auction PRC Land shall be raised by the JV Company.
- Profit distribution** : The profits available for distribution of the JV Company will be distributed to Seti Trading and Suzhou Citychamp in proportion to their respective interests in the JV Company.
- Board composition** : The board of directors of the JV Company will comprise three members, of which two directors will be nominated by Suzhou Citychamp and one director will be nominated by Seti Trading.

As at the date of this announcement, save as Seti Trading's share of the registered capital of the JV Company and the Consideration, being RMB270 million (equivalent to approximately HK\$305.1 million) in aggregate, there is no other capital commitment or contractual commitment on the part of the Group regarding the JV Company. The funding requirement of Seti Trading's share of the registered capital of the JV Company will be financed by the Group's internal resources. The Company will comply with the requirements of the Listing Rules if Seti Trading is required to inject further capital into the JV Company. The interest of Seti Trading in the JV Company will be accounted for as an associate of the Company.

## **INFORMATION OF THE AUCTION PRC LAND**

The Auction PRC Land is located at 93 Yueliangwan Main Road, Nanshan District, Shenzhen, Guangdong Province, PRC (深圳市南山區月亮灣大道93號) with a total area of 49,581.66 sq. m.. The Auction PRC Land was previously occupied by Seti for its production plant. Restoration work is being conducted on the Auction PRC Land. The Auction PRC Land is planned to be developed into a residential, commercial, office and hotel complex with a total gross floor area of 205,693 sq. m..

As at 30 September 2008, the unaudited carrying value of the prepaid land lease payments in respect of the PRC Land was RMB40,101,673 (equivalent to approximately HK\$45,314,890). According to the latest valuation procured by the Company, the appraised value of the Auction PRC Land was RMB780 million (equivalent to approximately HK\$881.4 million) as at 31 October 2008.

The restoration of the PRC Land shall be completed within 200 days from the auction date. Prior to the Land Resumption, Seti is required to, among other things, demolish buildings on the PRC Land and dispose of machineries, materials and inventories of the timber business. It is difficult to ascertain all expenses and other income to be generated from the Land Resumption at the early stage. Therefore, the gain or loss on the resumption and restoration of the PRC Land cannot be ascertained at this stage.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The PRC government's previous austerity measures, tightening credits, global economic slowdown, and negative wealth effect from the stock market have triggered a recent period of significant correction in the PRC property market. The property sector is described as a pillar industry critical for everything from steel to home appliances. Realising the importance of the property sector to the PRC's economic recovery, the PRC government has recently announced a series of stimulus measures. In addition, the State Council of the PRC also emphasised that a long-term healthy development of the property market is important to the PRC's sustainable growth. The PRC government's intention and related measures should help stabilise the PRC property market in the medium term. Shenzhen, being one of the fastest growing city in the past and with a strong economic base, is believed to benefit from the supportive measures and to be one of the first cities capable of recovering from the weakened economy.

According to the statistics posted on the website of the Shenzhen Municipal Government, the Nanshan District of Shenzhen has developed rapidly in the last decade with its gross domestic product grew at a compound annual growth rate of approximately 16.7% between 1997 and 2007. For the first nine months of 2008, the gross domestic product of the Nanshan District increased by about 12.0% compared to the same period in 2007.

Given that the strong economic growth of the Nanshan District and the Auction PRC Land is in the proximity to a high technology development zone, high quality residential areas, the proposed bonded warehouse, highways and underground transportations, the Company considers that the Transaction is an attractive opportunity for the Group to capture the future recovery of the property market in the PRC. The investment in property development will also help to diversify the Group's revenue sources. In addition, the formation of the joint venture with the Citychamp Group will enable the Group to benefit from its expertise in property development in the PRC.

In light of the foregoing, the Directors (including the independent non-executive Directors) consider that the terms of the Transaction are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE GROUP AND THE CITYCHAMP GROUP**

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

Suzhou Citychamp is a wholly-owned subsidiary of Citychamp. Citychamp is a company listed on the SSE. The Citychamp Group is principally engaged in property development and investment, and manufacture and sale of enamelled copper wires. The Company owns 14.78% interest of Citychamp.

Fujian Fengrong, the single largest shareholder of Citychamp, is interested in approximately 26.08% 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 of Ms. Sit and Ms. Lu are daughters-in-law of Mr. Hon. Hence, Ms. Lu is also a connected person of the Company. Save as the aforesaid and 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 26.08% interests in Citychamp, have control over the board of directors of Citychamp and its subsidiaries and thus Ms. Sit and Ms. Lu are not able to appoint the directors of Citychamp without the support of other shareholders of Citychamp. Therefore, Citychamp is not a connected person of the Company under the Listing Rules. Ms. Sit is a director of Citychamp while Ms. Lu does not hold any position in Citychamp.

Fuzhou Dartong, a jointly-controlled entity of the Company, is owned as to 51% by Citychamp and 49% by the Company with the voting power equally shared between the two shareholders. Jiangsu Dartong, an associate of the Company, is owned as to 42.20%, 32.22% and 25.58% by Citychamp, Qingjiang and the Company respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Qingjiang and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Save as Ms. Lu and Ms. Sit, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Citychamp and its other ultimate beneficial owners are third parties independent of and not connected with the Company or its connected persons.

## **LISTING RULES IMPLICATIONS**

The Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to Shareholders' approval. Written approvals of the Transaction have been obtained from Sincere View and Full Day which beneficially own 683,441,515 Shares and 1,750,000,000 Shares respectively, representing approximately 19.29% and 49.41% of the issued share capital of the Company as at the date of this announcement. Mr. Hon and his wife collectively own 100% interest in Sincere View. Full Day is a company wholly-owned by Mr. Hon. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has any material interest in the Transaction and therefore no Shareholder is required to abstain from voting if the Company was to convene a general meeting for the approval of the Transaction. As such, pursuant to Rule 14.44 of the Listing Rules, the written approvals provided by Sincere View and Full Day in relation to the Transaction are accepted in lieu of holding a general meeting.

There is no prior transaction which is required to be aggregated with the Transaction under Rule 14.22 of the Listing Rules.

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

## **RESUMPTION OF TRADING IN THE SHARES**

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 27 November 2008 pending the release of this announcement. The Company has applied for a resumption of trading in the Shares with effect from 9:30 a.m. on 1 December 2008.

## **DEFINITION**

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

“Article of Association”	the article of association of the JV Company
“Auction PRC Land”	a land parcel located at 93 Yueliangwan Main Road, Nanshan District, Shenzhen, Guangdong Province, PRC (深圳市南山區月亮灣大道93號) with a total area of 49,581.66 sq. m.
“Board”	the board of Directors
“Citychamp”	Citychamp Dartong Company Limited (冠城大通股份有限公司), the shares of which are listed on the SSE in the PRC
“Citychamp Group”	Citychamp and its subsidiaries

“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
“Confirmation Letter”	the letter dated 26 November 2008 entered into among SZFDC, the Shenzhen Government, Seti Trading and Suzhou Citychamp that confirms the winning of the bid
“connected person”	has the meaning ascribed thereto in the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	the land premium for the acquisition of the Auction PRC Land
“Director(s)”	the director(s) of the Company
“Fujian Fengrong”	Fujian Fengrong Investment Company Limited (福建豐榕投資有限公司) is a company established in the PRC and owned as to approximately 68.5% and 31.5% by Ms. Sit and Ms. Lu respectively
“Full Day”	Full Day Limited, a company incorporated in the British Virgin Islands with limited liability
“Fuzhou Dartong”	Fuzhou Dartong M&E Co., Ltd. (福州大通機電有限公司), 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”	Jiangsu Dartong M&E Co. Ltd. (江蘇大通機電有限公司), a sino-foreign equity joint venture established in the PRC and is owned as to 42.20%, 32.22% and 25.58% by Citychamp, Qingjiang and the Company respectively
“Joint Arrangement”	the arrangement to jointly invest in the restoration of the PRC Land by Seti and Citychamp pursuant to the Joint Arrangement Agreement

“Joint Arrangement Agreement”	the agreement dated 3 December 2007 entered into between Seti and Citychamp in relation to the Joint Arrangement
“Joint Venture Agreement”	the agreement dated 26 November 2008 entered into between Seti Trading and Suzhou Citychamp in relation to the establishment of the JV Company
“JV Company”	the company to be formed by Seti Trading and Suzhou Citychamp for the purpose of holding and development of the Auction PRC Land
“Land Resumption”	resumption of the PRC Land by the Shenzhen Government pursuant to the Land Resumption Agreement
“Land Resumption Agreement”	the agreement dated 3 December 2007 entered into between Seti and the Shenzhen Government in relation to the Land Resumption
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Hon”	Mr. Hon Kwok Lung, an executive Director and a controlling Shareholder
“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
“Open Auction”	the auction of the Auction PRC Land at Shenzhen Land and Real Estate Exchange Centre (深圳市土地房產交易中心)
“PRC”	the People’s Republic of China
“PRC Land”	a land parcel located at 93 Yueliangwan Main Road, Nanshan District, Shenzhen, Guangdong Province, PRC (深圳市南山區月亮灣大道93號) with an area of 101,576.7 sq. m.
“Project Agreement”	the agreement dated 26 November 2008 entered into among the Shenzhen Government, Seti Trading and Suzhou Citychamp that sets out the terms of the acquisition of the Auction PRC Land

“Qingjiang”	Jiangsu Qingjiang Investment Holdings Company Limited (江蘇清江投資股份有限公司), 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 RMB1.00 = HK\$1.13
“Seti”	Seti Timber Industry (Shenzhen) Co., Ltd. 森帝木業(深圳)有限公司, a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Seti Trading”	Shenzhen Seti Trading Development Company Limited (深圳市森帝貿易發展有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“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)
“Shenzhen Government”	People’s Government of the Nanshan District of the Shenzhen Municipal (深圳市南山區人民政府)
“Sincere View”	Sincere View International Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially owned as to 80% by Mr. Hon and 20% by Ms. Lam Suk Ying, the wife of Mr. Hon
“sq. m.”	square metre(s)
“SSE”	The Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suzhou Citychamp”	Suzhou Citychamp Hongye Property Development Company Limited (蘇州冠城宏業房地產有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Citychamp
“Transaction”	acquisition of the Auction PRC Land and establishment of the JV Company

“SZFDC”

Shenzhen Municipal Bureau of Land Resources and  
Housing Management (深圳市國土資源和房產管理局)

“%”

per cent

*As at the date of this announcement, the Board comprises Mr. Hon Kwok Lung, Mr. Wang Shaolan, Mr. Shang Jianguang, 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, 28 November 2008