

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of this announcement.

This announcement is for information only and is not an offer to sell or the solicitation of an offer to buy securities and neither this announcement nor anything herein forms the basis for any contract or commitment whatsoever. This announcement is not an offer of securities for sale in the United States or to any U.S. person. Neither this announcement nor any copy hereof may be taken into or distributed in the United States or to any U.S. person. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States or to or for the account or benefit of any U.S. person. There will be no public offering of securities in the United States. The Company does not intend to register any of the securities in the United States.



CHINA HAIDIAN HOLDINGS LIMITED

中國海澱集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 256)

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE, VOLUNTARY DISCLOSURE ON FORMATION OF A JOINT VENTURE AND RESUMPTION OF TRADING

Placing Agent



MACQUARIE

Financial Adviser to China Haidian Holdings Limited



THE PLACING AGREEMENT

On 15 December 2010, the Vendor, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Vendor has agreed to place, and the Placing Agent has agreed to procure not less than six Placees, for the purchase of 390,138,000 Placing Shares at the Placing Price or, failing which, purchase the Placing Shares at the Placing Price on a fully underwritten basis.

The Placing Shares represent (i) approximately 10.54% of the Company's existing issued share capital as at the date of this announcement; and (ii) approximately 9.54% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

THE SUBSCRIPTION AGREEMENT

On 15 December 2010, the Vendor and the Company also entered into the Subscription Agreement, pursuant to which the Vendor has agreed to subscribe as principal for, and the Company has agreed to issue, 390,138,000 Subscription Shares at the Subscription Price of HK\$1.21 per Subscription Share.

The Subscription Shares represent (i) approximately 10.54% of the Company's existing issued share capital as at the date of this announcement; and (ii) approximately 9.54% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

As the Placing and the Subscription are subject to the fulfillment of a number of conditions and may or may not proceed to completion, Shareholders and prospective investors are advised to exercise caution when dealing in the securities of the Company.

VOLUNTARY DISCLOSURE ON FORMATION OF A JOINT VENTURE

The Board is pleased to announce that on 30 October 2010, Actor Investments, a wholly-owned subsidiary of the Company, entered into a joint venture agreement with Juxin (an Independent Third Party) for the establishment of the Joint Venture. The Joint Venture will be owned as to 51% by Actor Investments and 49% by Juxin. The Joint Venture will principally engage in sale of watch, jewelry and glasses, and provision of related repair and maintenance services in the PRC.

SUSPENSION AND RESUMPTION OF TRADING IN 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 15 December 2010 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 2:30 p.m. on 15 December 2010.

THE PLACING AGREEMENT

Date: 15 December 2010

Parties: The Vendor, the Company and the Placing Agent

As at the date of this announcement, the Vendor is interested in 778,303,515 Shares, representing approximately 21.04% of the entire issued share capital of the Company. The Vendor is owned as to 80% by Mr. Hon Kwok Lung, the Chairman of the Company, and 20% by his wife, Ms. Lam Suk Ying. Mr. Hon Kwok Lung and parties acting in concert with it (including the Vendor) are interested in an aggregate of 2,529,353,515 Shares, representing approximately 68.36% of the issued share capital of the Company.

Placing Shares

390,138,000 Placing Shares represent (i) about 10.54% of the Company's issued share capital as at the date of the Placing Agreement; and (ii) about 9.54% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

Placing Agent

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

The Placing Agent has agreed to purchase or procure not less than six Placees to purchase the Placing Shares on a fully underwritten basis.

Placees

The Placing Agent shall place the Placing Shares to not less than six Placees. Each of the Vendor and the Placing Agent will use its reasonable endeavours to ensure that the Placees and their ultimate beneficial owners will be third parties (i) independent of and not acting in concert with the Vendor or any of its directors, chief executive or substantial shareholders, or any of their respective associates, (ii) independent of and not connected with the Company or the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates, and (iii) who are not, and who will not become after the completion of the Placing, connected persons of the Company.

Placing Price

HK\$1.21 per Placing Share, representing a discount of approximately 19.87% to the closing price of HK\$1.51 per Share as quoted on the Stock Exchange on the Last Trading Day, and a discount of approximately 16.90% to the average closing price of HK\$1.456 per Share as quoted on the Stock Exchange for the last five trading days ended on and including the Last Trading Day.

Rights and ranking of the Placing Shares

The Placing Shares will be sold free from all liens, charges and encumbrances and together with all rights attaching to them as at the date of the Placing Agreement, including the right to receive all dividends declared, made or paid on or after the date of the Placing Agreement.

The Placing Shares rank *pari passu* in all respects with the other issued Shares.

Conditions of the Placing

Completion of the Placing is conditional upon the fulfillment of the following conditions:

- (i) the Subscription Agreement having been entered into by the parties thereto;

- (ii) there not having come to the attention of any of the Placing Agent at any time prior to completion of the Placing (i) any breach of, or any event rendering untrue, incorrect or breached in any respect, any of the representations, warranties or undertakings referred to in the Placing Agreement when given or repeated or (ii) any breach of, or failure to perform, any of the other obligations of the Company or the Vendor which are required to be performed at or before completion of the Placing;
- (iii) there has not been any such adverse change or prospective adverse change in the business or in the financial, operational or trading position or prospects of the Group as a whole which in the sole opinion of the Placing Agent, is likely to prejudice materially the success of the Placing;
- (iv) there not having come to the attention of the Placing Agent at any time prior to completion of the Placing (i) any change or prospective change (whether or not permanent) in local or international financial, political, military, economic or market (including stock market) conditions or currency exchange rates or exchange controls (including any outbreak or escalation of hostilities, terrorism, declaration by the United States, the United Kingdom, the PRC or Hong Kong of a national emergency or war or other calamity or crisis or (ii) any event, or series of events, beyond the reasonable control of the Placing Agent (including acts of government, strikes, labour disputes, lock-outs, fire, explosion, flooding, civil commotion, economic sanctions, epidemics and pandemics) or (iii) any suspension of dealings in the Shares for any period whatsoever (even if such suspension is subsequently lifted prior to completion of the Placing), or any cancellation of the listing of the Shares, on the Stock Exchange or (iv) any adverse announcement, determination or ruling of any governmental or other regulatory body (including delay in approval of this announcement or any other relevant announcement by any relevant stock exchange), which would (in any case mentioned in (i), (ii), (iii) or (iv) above), in the sole opinion of the Placing Agent, be likely to prejudice materially the success of the Placing;
- (v) there has occurred a general moratorium on commercial banking activities in the PRC, the United Kingdom, United States or Hong Kong by any PRC, United Kingdom, New York State, United States federal or Hong Kong authorities which would in the sole opinion of the Placing Agent be likely to prejudice materially the success of the Placing; and
- (vi) there not having been imposed any moratorium, suspension or material restriction or limitation in trading in shares or securities generally on the Stock Exchange, any stock exchange in the PRC, the New York Stock Exchange, the Nasdaq Stock Market, Inc., or the London Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to completion of the Placing.

Non-disposal undertaking

The Vendor undertakes to the Placing Agent that (except for the sale of the Placing Shares pursuant to the Placing Agreement and the subscription of the new Shares under the Subscription Agreement) from the date of the Placing Agreement and on or prior to the date being 90 days after the date of the Placing Agreement, it will not and will procure that none of its nominees and companies controlled by it or trusts associated with it (whether individually or together and whether directly or indirectly) will (without the prior written consent of the Placing Agent) (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the Subscription Shares but excluding the Placing Shares) or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

The Company undertakes to the Placing Agent that (except for (i) the new Shares to be allotted and issued to the Vendor pursuant to the Subscription Agreement, (ii) any Shares that may fall to be issued by the Company upon the exercise of the outstanding options exchangeable to 242,115,405 Shares already granted by the Company on 3 May 2010 or any options granted under the share option scheme of the Company, and (iii) any Shares or other securities or rights issued or granted to Shareholders by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with its articles of association or on the exercise of rights existing at the date of the Placing Agreement) from the date of this Agreement and on and prior to the date being 90 days after the date of the Placing Agreement it will not (without the prior written consent of the Placing Agent), (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

Completion of the Placing

Completion of the Placing is expected to take place on 17 December 2010 or such other date as the Vendor and the Placing Agent shall agree.

THE SUBSCRIPTION AGREEMENT

Date: 15 December 2010

Parties: The Vendor and the Company

The Subscription Shares

The Vendor agrees to subscribe as principal for, and the Company agrees to issue, 390,138,000 Subscription Shares to the Vendor at the Subscription Price, free from all pledges, charges, liens, mortgages, security interests, pre-emption rights, options, equities, trusts, and any other encumbrances or third party rights or claims of any kind on the terms and subject to the conditions set out in the Subscription Agreement.

The Subscription Shares represent (i) approximately 10.54% of the Company's existing issued share capital as at the date of this announcement; and (ii) approximately 9.54% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The 390,138,000 Subscription Shares have an aggregate nominal value of HK\$39,013,800.

The Subscription Price

The Subscription Price is HK\$1.21 per Subscription Share. The Subscription Price is the same as the Placing Price and was determined after arm's length negotiation between the Company and the Vendor with reference to the Placing Price. The net price to the Company of each Subscription Share is about HK\$1.19.

The Directors are of the view that the Subscription Price, which is the same with the Placing Price, is fair and reasonable.

Conditions of the Subscription

Completion of the Subscription is conditional upon the fulfilment of the following conditions:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares under); and
- (ii) completion of the Placing having occurred pursuant to the terms of the Placing Agreement.

Upon completion of the Subscription, the Company shall reimburse to the Vendor the proportion of the expenses, calculated by dividing the number of Subscription Shares by the number of Placing Shares, properly incurred by the Vendor in connection with the Placing and the Subscription.

Rights of the Subscription Shares

The Subscription Shares, when fully paid, will rank pari passu in all respects with the other Shares in issue or to be issued by the Company on or prior to the Closing Date together with all rights attaching to them on and after the date of issue including all dividends declared or payable or distributions made or proposed to be made at any time on or after the date of issue.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares. The Subscription is not subject to Shareholders' approval.

The Subscription Shares will be issued pursuant to the General Mandate granted to the Directors at the general meeting of the Company held on 28 May 2010, where the Directors were authorised to allot and issue up to 739,069,257 Shares pursuant to the General Mandate. Up to the date of this announcement, the Directors have issued and agreed to issue up to 348,931,025 Shares under the General Mandate, and upon completion of the Subscription, the Company will have 390,138,232 Shares available for allotment and issue under the General Mandate.

REASONS FOR THE PLACING AND SUBSCRIPTION AND USE OF PROCEEDS

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

The net proceeds from the issue of the Subscription Shares will be approximately HK\$464.7 million. The net proceeds from the Subscription will be utilised by the Group for any future possible acquisitions and investments, and general working capital of the Group.

The Directors are of the view that the Subscription will help to strengthen the Company's capital base. The Directors also consider the Placing Agreement and the Subscription Agreement are under normal commercial terms. Therefore, the Directors (including the independent non-executive Directors) consider that terms of the Placing Agreement and the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As the Placing and the Subscription are subject to the fulfillment of a number of conditions and may or may not proceed to completion, Shareholders and prospective investors are advised to exercise caution when dealing in the securities of the Company.

FUND RAISING ACTIVITY DURING THE PAST 12 MONTHS

Save as disclosed below, the Company has not conducted any fund raising activities in the past twelve months before the date of this announcement:

Date of announcement	Nature of transaction	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
3 May 2010	Placing of 106,815,620 new Shares and grant of an option exchangeable to a maximum of 242,115,405 Shares	Approximately HK\$81.5 million (Note)	To be used by the Group for any future possible acquisitions and investments, and general working capital of the Group	Has been entirely used for investments and general working capital of the Group

Note: No option has been exercised up to the date of this announcement.

CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company prior to and upon completion of the Placing and the Subscription (assuming that there are no other changes in the issued share capital of the Company):

	Existing shareholding		Shareholding immediately after the Placing but before the Subscription		Shareholding immediately after the Placing and Subscription	
	Number of Shares	Approximate % of issued share capital of the Company	Number of Shares	Approximate % of issued share capital of the Company	Number of Shares	Approximate % of issued share capital of the Company
Full Day Limited (Note 1)	1,750,000,000	47.30%	1,750,000,000	47.30%	1,750,000,000	42.79%
The Vendor (Note 1)	778,303,515	21.04%	388,165,515	10.49%	778,303,515	19.03%
Mr. Hon Kwok Lung (Note 1)	1,050,000	0.03%	1,050,000	0.03%	1,050,000	0.03%
Mr. Fung Tze Wa (Note 2)	1,050,000	0.03%	1,050,000	0.03%	1,050,000	0.03%
Dr. Kwong Chun Wai, Michael (Note 2)	1,050,000	0.03%	1,050,000	0.03%	1,050,000	0.03%
Mr. Shi Tao (Note 3)	1,500,000	0.04%	1,500,000	0.04%	1,500,000	0.04%
Mr. Lam Toi Man (Note 3)	1,050,000	0.03%	1,050,000	0.03%	1,050,000	0.03%
Mr. Shang Jianguang (Note 3)	2,400,000	0.06%	2,400,000	0.06%	2,400,000	0.06%
Subtotal	2,536,403,515	68.55%	2,146,265,515	58.01%	2,536,403,515	62.01%
The Placees	–	–	390,138,000	10.54%	390,138,000	9.54%
Other public Shareholders	1,163,532,774	31.45%	1,163,532,774	31.45%	1,163,532,774	28.45%
Total	3,699,936,289	100.00%	3,699,936,289	100.00%	4,090,074,289	100.00%

Notes:

1. Full Day Limited is wholly-owned by Mr. Hon Kwok Lung, the Chairman of the Company. The Vendor is owned as to 80% by Mr. Hon Kwok Lung and 20% by his wife, Ms. Lam Suk Ying.
2. Mr. Fung Tze Wa and Dr. Kwong Chun Wai, Michael are independent non-executive Directors.
3. Mr. Shi Tao, Mr. Lam Toi Man and Mr. Shang Jianguang are executive Directors.
4. The numbers may not add up due to rounding.

VOLUNTARY DISCLOSURE ON FORMATION OF A JOINT VENTURE

The Board is pleased to announce that on 30 October 2010, Actor Investments, a wholly-owned subsidiary of the Company, entered into a joint venture agreement with Juxin for the establishment of the Joint Venture. The Joint Venture will be owned as to 51% by Actor Investments and 49% by Juxin. The Joint Venture will principally engaged in sale of watch, jewelry and glasses, and provision of related repair and maintenance services in the PRC. Based on Actor Investments' total commitment in the Joint Venture pursuant to the joint venture agreement, the formation of the Joint Venture does not constitute a notifiable transaction of the Company pursuant to Chapter 14 of the Listing Rules and the disclosure is made by the Company on a voluntary basis.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Juxin and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

SUSPENSION AND RESUMPTION OF TRADING IN 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 15 December 2010 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 2:30 p.m. on 15 December 2010.

DEFINITIONS

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

“acting in concert”	has the meaning given to it in The Hong Kong Code on Takeovers and Mergers
“Actor Investments”	Actor Investments Limited, a company incorporated in Hong Kong with limited liability
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	board of the Directors
“Closing Date”	17 December 2010 or such later date as the Vendor and the Placing Agent may agree in writing

“Company”	China Haidian Holdings Limited, 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
“connected person”	has the meaning ascribed thereto in the Listing Rules and the word “connected” shall be construed accordingly
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 28 May 2010 to allot and issue up to 739,069,257 Shares, representing 20% of the aggregate nominal amount of the issued share capital of the Company on such date
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party that is independent of the Company and its connected persons as defined under the Listing Rules
“Joint Venture”	the joint venture to be formed by Actor Investments and Juxin pursuant to the joint venture agreement dated 30 October 2010
“Juxin”	佛山市鉅信鐘錶貿易有限公司 (Foshan Juxin Watch Trading Company Limited), a company established in the PRC with limited liability
“Last Trading Day”	14 December 2010, being the last trading day of the Shares on the Stock Exchange before the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any investor procured by or on behalf of the Placing Agent to purchase any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of up to 390,138,000 Shares beneficially owned by the Vendor pursuant to the Placing Agreement
“Placing Agent”	Macquarie Capital Securities Limited

“Placing Agreement”	a placing agreement among the Vendor, the Company and the Placing Agent dated 15 December 2010 in relation to the Placing
“Placing Price”	HK\$1.21 per Placing Share
“Placing Shares”	390,138,000 Shares beneficially owned by the Vendor and to be placed under the Placing
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Subscription Shares by the Vendor pursuant to the Subscription Agreement
“Subscription Agreement”	a subscription agreement between the Vendor and the Company dated 15 December 2010 in relation to the Subscription
“Subscription Price”	HK\$1.21 per Subscription Share
“Subscription Shares”	390,138,000 new Shares to be subscribed by the Vendor
“Vendor”	Sincere View International Limited, a company incorporated in the British Virgin Islands with limited liability
“%”	per cent

By order of the Board
Hon Kwok Lung
Chairman

Hong Kong, 15 December 2010

As at the date of this announcement, the Board comprises Mr. Hon Kwok Lung, Mr. Shang Jianguang, Mr. Shi Tao, Mr. Lam Toi Man and Mr. Bi Bo 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.