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

Financial Adviser to China Haidian Holdings Limited

Quam CAPITAL 華富嘉洛企業融資

THE ACQUISITION AGREEMENT

On 23 April 2013, the Company and the Vendors entered into the Acquisition Agreement pursuant to which, among other things, the Vendors have conditionally agreed to sell and the Company has conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company. The Target Group is principally engaged in the development, manufacture and sale of Swiss luxury timepieces under the brand name of "Corum".

The Consideration shall be CHF86,000,000 (equivalent to approximately HK$713,800,000) minus (i) the Indebtedness; and (ii) the Pavilion Purchase Price, which shall be satisfied by the allotment and issue of Consideration Shares at the issue price of approximately CHF0.0964 (equivalent to HK$0.8) per Consideration Share and any remaining amount of the Consideration by cash at Closing. The aggregate amount of the Consideration and the refinancing of the Shareholders' Loans and the Bank Loan (subject to adjustment) will be settled by cash payment of not more than CHF47,000,000 (equivalent to approximately HK$390,100,000) and the allotment and issue of not more than 450,000,000 Consideration Shares at the Issue Price. Furthermore, the Company agreed to grant the Pre-Closing Loan of CHF5,000,000 (equivalent to approximately HK$41,500,000) to the Target Company.

The maximum number of Consideration Shares to be allotted and issued by the Company pursuant to the Acquisition Agreement and the Shares Loan Agreement shall be not more than 450,000,000 Shares, representing approximately 10.41% of the existing issued share capital of the Company and approximately 9.43% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

Upon Closing, the members of the Target Group will become subsidiaries of the Company.

Pre-Closing Loan Agreement

On 23 April 2013, (i) the Company and the Vendors entered into the Pre-Closing Loan Agreement, and (ii) the Company and SPAG entered into the Share Pledge Agreement in respect of the Pre-Closing Loan, concurrently with the entering into of the Acquisition Agreement. Pursuant to the Pre-Closing Loan Agreement, the Company agreed to grant to the Target Company the Pre-Closing Loan in the principal amount of CHF5,000,000 (equivalent to approximately HK$41,500,000) to be used as working capital of the Target Company. The Pre-Closing Loan will be secured by SPAG pursuant to the Share Pledge Agreement by a pledge of its 500 shares in the Target Company (representing approximately 16.7% of the total issued share capital of the Target Company) until Closing.

Refinancing of the Shareholders' Loans and the Bank Loan

Under the Acquisition Agreement, the Company agreed to refinance certain shareholders' loans and existing bank debt of the Target Company by granting to the Target Company (i) the Closing Loan A of CHF31,000,000 (equivalent to approximately HK$257,300,000) pursuant to the Closing Loan A Agreement; (ii) the Closing Loan B of CHF16,000,000 (equivalent to approximately HK$132,800,000) pursuant to the Closing Loan B Agreement; and (iii) the Shares Loan in the amount by which the Outstanding Shareholder Loan Amount exceeds the cash repayments of Shareholders' Loans agreed to be made from the proceeds of the Closing Loan A and the Promissory Notes.

Pavilion Purchase Agreement

Pursuant to the Acquisition Agreement, the Company agreed to procure the Target Company at Closing, immediately after the transfer of the Sale Shares, to enter into the Pavilion Purchase Agreement with WIP for the sale by WIP and purchase by the Target Company of the Pavilion at the Pavilion Purchase Price of CHF6,000,000 (equivalent to approximately HK$49,800,000), and the Vendors agreed to procure that WIP will enter into the Pavilion Purchase Agreement.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios of the Acquisition calculated in accordance with Rule 14.07 of the Listing Rules exceeds 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules. The Acquisition Agreement and the transactions contemplated thereunder are subject to the approval of the Shareholders. As the Vendors are third parties independent of the Company and its connected persons and no Shareholder has any material interest in the Acquisition which is different from other Shareholders, no Shareholder is required to abstain from voting in respect of the approval of the Acquisition Agreement and the transactions contemplated thereunder if the Company were to convene a general meeting for approving the Acquisition Agreement and the transactions contemplated thereunder. The Company will obtain a written approval of the Acquisition Agreement and the transactions contemplated thereunder from Mr. Hon Kwok Lung, the controlling Shareholder, and companies controlled by him (namely Sincere View International Limited and Full Day Limited), which hold 2,707,655,515 Shares in aggregate, representing approximately 62.66% of the issued share capital of the Company, pursuant to Rule 14.44 of the Listing Rules. After obtaining the aforesaid written approval, the Company is not required to convene a general meeting for approving the Acquisition Agreement and the transactions contemplated thereunder.

A circular containing, among other things, details of the Acquisition, an accountants' report on the Target Group, the financial information of the Group and other information as required under the Listing Rules will be despatched to the Shareholders. As additional time is required to prepare the information to be contained in the circular, including the financial information of the Target Group, the circular is expected to be despatched on or before 21 June 2013.

THE ACQUISITION AGREEMENT

On 23 April 2013, the Company and the Vendors entered into the Acquisition Agreement pursuant to which, among other things, the Vendors have conditionally agreed to sell and the Company has conditionally agreed to purchase the Sale Shares.

The principal terms and conditions of the Acquisition Agreement are as follows:

Date

23 April 2013

Parties

(i) The Company as the purchaser; and
(ii) SPAG, MW and AC as the vendors.

SPAG is an investment holding company.

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, each of the Vendors and the ultimate beneficial owner(s) of SPAG are third parties independent of the Company and its connected persons.

Pursuant to the Acquisition Agreement, the Company may, without requiring the consent of the Vendors, until seven Business Days before Closing and after consultation with the Vendors, nominate a direct or an indirect subsidiary of the Company as acquiring entity of the Sale Shares and transfer the respective rights under the Acquisition Agreement to such entity, provided that (i) no adverse tax or other consequences for the Vendors shall result therefrom; and (ii) the Company shall remain liable for the performance of its obligations hereunder and the compliance with the terms of the Acquisition Agreement by itself and such acquiring entity.

Interests to be acquired

Pursuant to the Acquisition Agreement, the Vendors have conditionally agreed to sell and the Company has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Company, free from all encumbrances and claims with effect from Closing. As at the date of the Acquisition Agreement, 90%, 5% and 5% of the Sale Shares are owned by SPAG, MW and AC respectively.

Consideration

The Consideration shall be CHF86,000,000 (equivalent to approximately HK$713,800,000) minus (i) the Indebtedness; and (ii) the Pavilion Purchase Price, which shall be satisfied by the allotment and issue of Consideration Shares credited as fully paid to the Vendors at the Issue Price and any remaining amount of the Consideration by cash at Closing without any deduction, set-off or right to withhold. In case the Consideration divided by the Issue Price exceeds 450,000,000, such excess as well as any fractions of Consideration Shares shall be paid in cash. The aggregate amount of the Consideration and the refinancing of the Shareholders' Loans and the Bank Loan (subject to adjustment) will be settled by cash payment of not more than CHF47,000,000 (equivalent to approximately HK$390,100,000) and the allotment and issue of not more than 450,000,000 Consideration Shares at the Issue Price. Furthermore, the Company agreed to grant the Pre-Closing Loan of CHF5,000,000 (equivalent to approximately HK$41,500,000) to the Target Company.

The amount of Indebtedness as at the Closing Date and the Consideration shall be determined by the Target Company after consultation with the Company and the Vendors. Such determination shall be decisive for purposes of the Closing. Following Closing, if either the Vendors or the Company shows that the actual Indebtedness as at the Closing Date should differ from the Indebtedness so determined, the Consideration shall be adjusted and a corresponding adjustment payment (in cash) shall be made. In case the Vendors should be required to make such an adjustment payment to the Company, they shall (irrespective of the lock-up and market sale restrictions on the Consideration Shares pursuant to the Acquisition Agreement) have the right to sell any Consideration Shares to finance such adjustment payment.

The Consideration was arrived at after arm's length negotiations between the Company and the Vendors having taken into account the following factors, amongst others: (i) the unaudited net asset value of the Target Group of approximately CHF19.7 million (equivalent to approximately HK$163.5 million) as at 31 December 2012; (ii) the outstanding principal amount of the Indebtedness of approximately CHF47.5 million (equivalent to approximately HK$394.3 million) as at the date of the Acquisition Agreement; (iii) the Pavilion Purchase Price is CHF6,000,000 (equivalent to approximately HK$49,800,000); (iv) the Target Group's technical capability of developing and manufacturing its own high quality timepieces and movements; (v) the Target Group's renowned Swiss elite luxury watch brand, Corum; and (vi) the future prospects of the Target Group.

Conditions precedent

Closing shall be conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

Conditions to obligations of the Company and the Vendors

(i) the Company having obtained the approval of the Shareholders at a general meeting or by way of a written Shareholders' approval in lieu of holding a general meeting in accordance with the Listing Rules approving the Acquisition Agreement and the transactions contemplated thereunder;

(ii) the Listing Committee of the Stock Exchange having approved the listing of, and granted permission to deal in, the Consideration Shares on the Stock Exchange;

(iii) there having no judgment, order, injunction or decree of any court, administrative or governmental body or arbitration tribunal which prohibits the consummation of the transactions contemplated under the Acquisition Agreement;

Conditions to obligations of the Company

(iv) the Vendors having performed in all material respects all of their obligations to be performed under the Acquisition Agreement on or prior to Closing;

(v) no Target Group Material Adverse Change having occurred;

(vi) there not having been any misrepresentation or breach of warranty of the Vendors under the Acquisition Agreement resulting in a damage of CHF8,500,000 (equivalent to approximately HK$70,550,000) or more;

(vii) the consolidated financial statements of the Target Group for the years ended 30 June 2010, 2011 and 2012 and for the six months ended 31 December 2012 prepared in accordance with IFRS having been prepared and audited and an audit opinion from the auditors performing such audit having been received;

Conditions to obligations of the Vendors

(viii) the Company having performed in all material respects all of its obligations to be performed under the Acquisition Agreement on or prior to Closing;

(ix) the Shares having remained listed and freely tradable on the Stock Exchange from the date of the Acquisition Agreement until the Closing Date; and

(x) no Group Material Adverse Change having occurred.

The Company and the Vendors may, to the extent permissible under applicable law or the Listing Rules, jointly waive in writing in whole or in part the conditions (i), (ii) and (iii) above. The Company may, to the extent legally permissible, waive in writing in whole or in part the conditions (iv), (v), (vi) and (vii) above. The Vendors may, to the extent legally permissible, waive in writing in whole or in part the conditions (viii), (ix) and (x) above. At present, the Company does not have any intention to waive or has not agreed to waive any of the above conditions.

If any of the above conditions precedent to Closing have not been satisfied or waived (as the case may be) pursuant to the Acquisition Agreement on or before the Long Stop Date, the Company or the Vendors may terminate the Acquisition Agreement by giving notice to the respective other party or parties to the Acquisition Agreement provided that the right to terminate the Acquisition Agreement shall not be available to any party thereto whose breach of or failure to perform any obligation under the Acquisition Agreement is attributable to, or has resulted in, the failure of such condition to be satisfied or of the Closing to occur on or prior to such date.

The Vendors may terminate the Acquisition Agreement if all of the conditions (i) to (vii) have been satisfied (other than those conditions that by their nature are to be satisfied by actions taken at Closing), and the Company fails to consummate the transactions contemplated by the Acquisition Agreement at Closing and such failure continues after a reasonable grace period. The Company may terminate the Acquisition Agreement if all of the conditions (i) to (iii) and (viii) to (x) have been satisfied (other than those conditions that by their nature are to be satisfied by actions taken at Closing), and the Vendors (or any of them) fail to consummate the transactions contemplated by the Acquisition Agreement at Closing and such failure continues after a reasonable grace period. If the Acquisition Agreement is so terminated, the other party shall pay to the terminating party a contractual penalty in the amount of CHF17,000,000 (equivalent to approximately HK$141,100,000). Further, if the Acquisition Agreement is terminated by either party because the condition (i) has not been satisfied, the Company shall pay to the Vendors the aforesaid termination penalty.

Completion

Closing shall take place within five Business Days after all conditions precedent to Closing have been satisfied or waived (as the case may be), or such other date as the Company and the Vendors may agree in writing.

Upon Closing, the members of the Target Group will become subsidiaries of the Company.

Pre-Closing Loan Agreement

On 23 April 2013, (i) the Company and the Vendors entered into the Pre-Closing Loan Agreement, and (ii) the Company and SPAG entered into the Share Pledge Agreement in respect of the Pre-Closing Loan, concurrently with the entering into of the Acquisition Agreement.

Pursuant to the Pre-Closing Loan Agreement and the Share Pledge Agreement, the Company agreed to grant to the Target Company the Pre-Closing Loan in the principal amount of CHF5,000,000 (equivalent to approximately HK$41,500,000) to be used as working capital of the Target Company. The Pre-Closing Loan will be secured by SPAG pursuant to the Share Pledge Agreement by a pledge of its 500 shares in the Target Company (representing approximately 16.7% of the total issued share capital of the Target Company) until Closing. The Pre-Closing Loan may be subordinated to the Bank Loan if requested by the relevant bank.

The Pre-Closing Loan shall be available for drawdown within five Business Days after the date of the Acquisition Agreement in the full amount, bear interest at 2.5% per annum and shall be due for repayment (in principal and accrued interest) in full upon termination of the Pre-Closing Loan being notified by the Company to the Target Company which may not be notified with effect as per any date which is before the earlier of (i) one month after the Closing Date; and (ii) the date of receipt of a valid termination of the Acquisition Agreement by either the Company or the Vendors in accordance with the Acquisition Agreement.

Refinancing of the Shareholders' Loans and the Bank Loan

Under the Acquisition Agreement, the Company agreed to refinance certain shareholders' loans and existing bank debt of the Target Company.

The Vendors shall, no later than five Business Days before Closing, notify to the Company in writing the amount of principal outstanding and accrued and accruing interest as at the Closing Date under the Shareholders' Loans (the "**Outstanding Shareholder Loan Amount**") and the Bank Loan.

At Closing, immediately after the transfer of the Sale Shares by the Vendors to the Company, the Company shall enter into the Closing Loan A Agreement, the Closing Loan B Agreement and the Shares Loan Agreement with the Target Company to provide intercompany loans to the Target Company for the purposes of repaying the Shareholders' Loans and the Bank Loan and financing the acquisition by the Target Company of the Pavilion in accordance with the terms under the Acquisition Agreement.

Closing Loan A Agreement

Under the Acquisition Agreement, the Company (as lender) agreed to enter into the Closing Loan A Agreement with the Target Company (as borrower) at Closing, pursuant to which the Company shall grant the Closing Loan A in the amount of CHF31,000,000 (equivalent to approximately HK$257,300,000) to the Target Company.

Pursuant to the Closing Loan A Agreement, the Target Company shall use the Closing Loan A to:

(i) acquire at Closing the Pavilion and pay the first instalment of the Pavilion Purchase Price in the amount of CHF3,000,000 (equivalent to approximately HK$24,900,000);

(ii) repay at Closing part of the Bank Loan in the amount of CHF10,000,000 (equivalent to approximately HK$83,000,000); and

(iii) repay at Closing, subject to prior consent of the lender of the Bank Loan, at Closing part of the SPAG Loan A in the amount of CHF8,000,000 (equivalent to approximately HK$66,400,000); and

(iv) the remaining amount for other purposes.

The Closing Loan A shall be subordinated to the Bank Loan if requested by the relevant bank.

It is intended that the payment of the Closing Loan A will be financed by the Group's internal resources.

Closing Loan B Agreement

Under the Acquisition Agreement, the Company (as lender) agreed to enter into the Closing Loan B Agreement with the Target Company (as borrower) at Closing, pursuant to which the Company shall grant the Closing Loan B in the amount of CHF16,000,000 (equivalent to approximately HK$132,800,000) by way of the issue of the Promissory Notes by the Company to the Target Company.

Pursuant to the Closing Loan B Agreement, the Target Company shall use the Promissory Notes, respectively, to:

(i) repay (and secure such repayment), six months after the Closing Date parts of the Bank Loan in the amount of CHF10,000,000 (equivalent to approximately HK$83,000,000);

(ii) pay (and secure such payment) the second instalment of the Pavilion Purchase Price in the amount of CHF3,000,000 (equivalent to approximately HK$24,900,000); and

(iii) repay (and secure such payment) the remaining outstanding principal amount of the SPAG Loan A in the amount of CHF3,000,000 (equivalent to approximately HK$24,900,000).

The Promissory Notes shall be made payable by the Company to the Target Company (or the Target Company's assignee) or to a third party designated by the Target Company as payee under the Promissory Notes six months after the Closing Date and bear interest at 3.5% per annum payable by the Company.

Pursuant to the Closing Loan B Agreement, titles to the Promissory Notes will pass by transfer of the Promissory Notes and endorsement of the transferees in the following manners:

(i)	CHF10,000,000 Promissory Note:	to the lender of the Bank Loan as security for the Bank Loan
(ii)	CHF3,000,000 Promissory Note:	to WIP to satisfy, upon maturity and payment, the second installment of the Pavilion Purchase Price
(iii)	CHF3,000,000 Promissory Note:	to SPAG in payment of the remaining outstanding principal amount under the SPAG Loan A

The Company may deem and treat the above transferees of the Promissory Notes as the absolute owner of the Promissory Notes, and shall not be affected by any notice to the contrary.

It is intended that the settlement of the Promissory Notes will be financed by the Group's internal resources.

Shares Loan Agreement

Under the Acquisition Agreement, the Company (as lender) agreed to enter into the Shares Loan Agreement with the Target Company (as borrower) at Closing, pursuant to which the Company shall grant to the Target Company the Shares Loan in the amount by which the Outstanding Shareholder Loan Amount exceeds the cash repayments of Shareholders' Loans agreed to be made from the proceeds of the Closing Loan A and the Promissory Notes as discussed above.

The amount of Shares Loan shall be disbursed by way of such part of the Consideration Shares in lieu of cash to be issued and allotted by the Company at the Issue Price. Fractions of such part of the Consideration Shares shall be paid in cash. The maximum number of the Consideration Shares to be allotted and issued by the Company pursuant to the Acquisition Agreement and the Shares Loan Agreement shall be not more than 450,000,000 Shares.

The Target Company shall use the Shares Loan to repay by way of such part of the Consideration Shares in lieu of cash at Closing the remaining parts of the Shareholders' Loans not paid by the proceeds of the Closing Loan A and the Promissory Notes.

On the Closing Date, the Company shall deliver such part of the Consideration Shares, on behalf of the Target Company, directly to the creditors of the Shareholders' Loans.

Pavilion Purchase Agreement

Pursuant to the Acquisition Agreement, the Company agreed to procure the Target Company at Closing, immediately after the transfer of the Sale Shares, to enter into the Pavilion Purchase Agreement with WIP for the sale by WIP and purchase by the Target Company of the Pavilion at the Pavilion Purchase Price of CHF6,000,000 (equivalent to approximately HK$49,800,000), and the Vendors agreed to procure that WIP will enter into the Pavilion Purchase Agreement.

The Pavilion Purchase Price shall be payable in the following manner:

(i) CHF3,000,000 (equivalent to approximately HK$24,900,000) (financed by the proceeds of the Closing Loan A as mentioned above) plus the applicable value added tax of 8% on the total Pavilion Purchase Price of CHF480,000 (equivalent to approximately HK$3,984,000) at Closing; and

(ii) the remaining CHF3,000,000 (equivalent to approximately HK$24,900,000) payable within six months after Closing and shall be assumed by the Company and secured by one of the Promissory Notes in the amount of CHF3,000,000 (equivalent to approximately HK$24,900,000) agreed to be issued by the Company to the Target Company and payment under such Promissory Note on behalf of the Target Company to WIP shall satisfy the obligation to pay such second installment.

Under the relevant Swiss tax laws, the applicable value added tax in relation the Pavilion Purchase Price is expected to be refundable to the Target Company. Pursuant to the Acquisition Agreement, any of such value added tax not recoverable by the Target Company shall be included as Indebtedness and deducted from the Consideration.

WIP is an affiliate of SPAG. The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, WIP and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

The Pavilion Purchase Price was arrived at after arm's length negotiations between the Company and the Vendors, after taking into account the construction cost of the Pavilion incurred by WIP.

THE CONSIDERATION SHARES

The maximum number of Consideration Shares to be issued is 450,000,000, representing approximately 10.41% of the existing issued share capital of the Company and approximately 9.43% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Based on the closing price of HK$0.83 per Share as quoted on the Stock Exchange on 23 April 2013 (being the last trading day prior to the date of the Acquisition Agreement), the maximum 450,000,000 Consideration Shares have a total market value of approximately HK$373.5 million.

The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends and other distributions resolved or paid or payable as from the Closing Date on.

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

The Consideration Shares will be allotted and issued under the General Mandate. Prior to the date of the Acquisition Agreement, the Company has issued or agreed to issue 78,465,286 Shares under the General Mandate. Upon issue of the maximum number of 450,000,000 Consideration Shares, the Company will have 320,031,698 Shares available for allotment and issue under the General Mandate.

The Issue Price

The Issue Price of approximately CHF0.0964 (equivalent to HK$0.8) per Consideration Share was determined after arm's length negotiation between the Company and the Vendors having taken into account the recent Share prices.

The Issue Price:

(i) represents a discount of approximately 3.6% to the closing price of HK$0.83 per Share quoted on the Stock Exchange on 23 April 2013, being the last trading day prior to the date of the Acquisition Agreement;

(ii) represents a discount of approximately 1.2% to the average closing price of approximately HK$0.81 per Share quoted on the Stock Exchange for the last five trading days up to and including 23 April 2013;

(iii) equals the average closing price of approximately HK$0.80 per Share quoted on the Stock Exchange for the last ten trading days up to and including 23 April 2013; and

(iv) represents a discount of approximately 9.1% to the audited consolidated net asset value per Share attributable to the owners of the Company of approximately HK$0.88 as at 31 December 2012.

Lock-up and market sale restrictions

The Consideration Shares shall be subject to the following lock-up and market sale restrictions:

(i) 129,687,500 Consideration Shares shall be subject to lock-up during the period of six months commencing from the Closing Date. For the following 10 months after the expiry of such lock-up period, such Consideration Shares shall not be sold or otherwise disposed of on the market or by way of block trade or share placement without the consent of the Company in excess of 10% of such total amount of Consideration Shares in any one month period and not more than 50% of such Consideration Shares per calendar year; and

(ii) 274,937,500 Consideration Shares shall be subject to lock-up during the period of twelve months commencing from the Closing Date. For the following 20 months after the expiry of such lock-up period, such Consideration Shares shall not be sold or otherwise disposed of on the market or by way of block trade or share placement without the consent of the Company in excess of 5% of such total amount of Consideration Shares in any one month period and not more than 20% of such Consideration Shares per calendar year from 2013 to 2017.

The Company's consent to a sale or disposal of the Consideration Shares in higher volumes than permitted under the Acquisition Agreement shall not be withheld unreasonably if such sale or disposal is effected by way of a block trade or share placement with one or several buyers or investors in a negotiated and agreed transaction rather than by way of market sales.

Release from the market sale restrictions

The Vendors are released from the above lock-up and market sale restrictions in the following circumstances:

(i) if a third party acquires control over the Company by acquiring or holding, directly or indirectly (a) more than 33.33% of the voting rights in the Company and (b) more voting rights in the Company than the current controlling Shareholder at such time holds;

(ii) if the Company announces a transaction (or if the Company undergoes a series of transactions) which will fundamentally change the business of the Group as currently conducted; and

(iii) if the Company's Control Person sells or otherwise disposes of any Shares on the Stock Exchange (or any other stock exchange on which the Shares are traded), each Vendor shall have the right to sell or otherwise dispose of (in addition to the above market sale restrictions) up to a proportionate number of the Shares (and each Vendor shall to such extent be released from the lock-up and market sale restrictions under the Acquisition Agreement), such number to correspond to the proportion of the Shares sold or disposed of by the respective selling Company's Control Person(s) to the aggregate number of Shares held directly or indirectly by all Company's Control Persons. The Company shall (promptly upon becoming aware thereof) notify the Vendors in writing of any such market sale or disposal by a Company's Control Person and inform the Vendors of the aggregate number of Shares held directly or indirectly by the Company's Control Persons prior to such sale or disposal.

INFORMATION OF THE TARGET GROUP

Overview

The Target Company was incorporated under the Swiss laws in 1994. The Target Group is principally engaged in the development, manufacture and sale of Swiss luxury timepieces through its global distribution network with its history dates back to its origin in 1924. The Target Group owns a renowned Swiss elite luxury watch brand, Corum. The Target Group owns a proprietary portfolio of innovative and technical movements. The Target Group's technical craftsmanship and non-traditional designs are especially well reflected in its original and unique in-line baguette shaped movements, which are housed in four-sided transparent cases to highlight the innovative mechanisms. The Target Group sells its watches through an exclusive global distribution network of eight premier branded boutiques and approximately 600 high-end, independent specialty retailers in over 90 countries.

Financial information

The following table sets out the audited consolidated financial information of the Target Group prepared in accordance with the Swiss accounting standards for each of the two years ended 30 June 2012.

	For the year ended 30 June			
	2011		2012	
	(Audited)		(Audited)	
		Equivalent to		*Equivalent to*
	CHF'000	*HK$'000*	*CHF'000*	*HK$'000*
Revenue	64,711	537,101	76,931	638,527
Net loss before taxation	(11,870)	(98,521)	(12,115)	(100,555)
Net loss after taxation	(11,898)	(98,753)	(12,107)	(100,488)

As at 31 December 2012, the unaudited consolidated net asset value of the Target Group based on the management accounts of the Target Group was approximately CHF19.7 million (equivalent to approximately HK$163.5 million).

The Target Group's audited consolidated financial statements for the three years ended 30 June 2012 and the six months ended 31 December 2012 to be included in the circular to be despatched to the Shareholders will be prepared under IFRS. The Directors confirm that there is no principal difference between IFRS and Hong Kong Financial Reporting Standards, the accounting standards currently adopted by the Group, which may have a material impact on the financial statements of the Target Group prepared under IFRS.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

The Acquisition provides an opportunity for the Group to acquire a renowned Swiss elite luxury watch brand. This will expand the Group's product portfolio and broaden its revenue source. The Group intends to promote the Corum brand in the PRC market in order to benefit from the enormous potential of the PRC's imported watch market. Furthermore, the Target Group's expertise in the design of sophisticated movements and luxury watches will enhance the Group's technology know-how and capability in those aspects. The ability of the Target Group to develop and manufacture its unique movements enables the Group to enter into the high-end luxury watch segment.

In light of the foregoing, the Directors (including the independent non-executive Directors) consider that the terms of the Acquisition Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

EFFECTS OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE

For illustration purpose, the following table sets out the shareholding structure of the Company as at the date of this announcement and immediately after the issue of the maximum 450,000,000 Consideration Shares:

	As at the date of this announcement		Immediately after the issue of the maximum number of Consideration Shares *(Note 6)*		Immediately after the issue of the Fair Future Consideration Shares, the maximum number of Consideration Shares and the outstanding share options of the Company *(Notes 4, 5 and 6)*	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Full Day Limited *(Note 1)*	1,750,000,000	40.50	1,750,000,000	36.68	1,750,000,000	35.22
Sincere View International Limited *(Note 1)*	954,155,515	22.08	954,155,515	20.00	954,155,515	19.20
Hon Kwok Lung *(Note 1)*	3,500,000	0.08	3,500,000	0.07	3,500,000	0.07
Lam Suk Ying *(Note 1)*	1,374,000	0.03	1,374,000	0.03	1,374,000	0.03
Shang Jianguang *(Note 2)*	8,000,000	0.19	8,000,000	0.17	8,000,000	0.16
Shi Tao *(Note 2)*	5,000,000	0.12	5,000,000	0.10	5,000,000	0.10
Lam Toi Man *(Note 2)*	3,500,000	0.08	3,500,000	0.07	3,500,000	0.07
Fung Tze Wa *(Note 3)*	2,100,000	0.05	2,100,000	0.04	3,500,000	0.07
Kwong Chun Wai, Michael *(Note 3)*	2,264,000	0.05	2,264,000	0.05	2,264,000	0.05
Li Qiang *(Note 3)*	–	–	–	–	3,500,000	0.07
Public Shareholders:						
Vendors	–	–	450,000,000	9.43	450,000,000	9.06
Other public Shareholders	1,591,056,691	36.82	1,591,056,691	33.35	1,783,691,691	35.90
Total	4,320,950,206	100.00	4,770,950,206	100.00	4,968,485,206	100.00

Notes:

1. Full Day Limited is wholly-owned by Mr. Hon Kwok Lung. Sincere View International Limited is owned as to 80% by Mr. Hon Kwok Lung and 20% by Ms. Lam Suk Ying, the spouse of Mr. Hon Kwok Lung. Mr. Hon Kwok Lung is the Chairman of the Company.

2. Mr. Shang Jianguang, Mr. Shi Tao and Mr. Lam Toi Man are executive Directors.

3. Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael and Mr. Li Qiang are independent non-executive Directors.

4. The Company has conditional agreed to allot 56,000,000 Shares for acquisition of 25% interest in Fair Future Industrial Limited as consideration, of which 38,000,000 Shares have been issued and allotted. The remaining 18,000,000 Shares ("**Fair Future Consideration Shares**") will be issued on 31 January 2014. Please refer to the announcement of the Company dated 15 December 2011 for details.

5. As at the date of this announcement, the Company has 19,535,000 share options outstanding granted pursuant to its share option scheme adopted on 30 May 2008 and 160,000,000 share options outstanding granted pursuant to the subscription agreement dated 8 August 2011 entered into between the Company and Potent Growth Limited.

6. Assuming that the shareholding structure of the Company has not changed after the date of this announcement and immediately before the issue of the maximum 450,000,000 Consideration Shares.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios of the Acquisition calculated in accordance with Rule 14.07 of the Listing Rules exceeds 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules. The Acquisition Agreement and the transactions contemplated thereunder are subject to the approval of the Shareholders. As the Vendors are third parties independent of the Company and its connected persons and no Shareholder has any material interest in the Acquisition which is different from other Shareholders, no Shareholder is required to abstain from voting in respect of the approval of the Acquisition Agreement and the transactions contemplated thereunder if the Company were to convene a general meeting for approving the Acquisition Agreement and the transactions contemplated thereunder. The Company will obtain a written approval of the Acquisition Agreement and the transactions contemplated thereunder from Mr. Hon Kwok Lung, the controlling Shareholder, and companies controlled by him (namely Sincere View International Limited and Full Day Limited), which hold 2,707,655,515 Shares in aggregate, representing approximately 62.66% of the issued share capital of the Company, pursuant to Rule 14.44 of the Listing Rules. After obtaining the aforesaid written approval, the Company is not required to convene a general meeting for approving the Acquisition Agreement and the transactions contemplated thereunder.

A circular containing, among other things, details of the Acquisition, an accountants' report on the Target Group, the financial information of the Group and other information as required under the Listing Rules will be despatched to the Shareholders. As additional time is required to prepare the information to be contained in the circular, including the financial information of the Target Group, the circular is expected to be despatched on or before 21 June 2013.

DEFINITIONS

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

"AC"	Mr. Antonio Calce
"Acquisition"	the proposed acquisition by the Company from the Vendors of the Sale Shares, the grant of the Pre-Closing Loan, the refinancing of the Shareholders' Loans and the Bank Loan, and the acquisition of the Pavilion on and subject to the terms and conditions of the Acquisition Agreement
"Acquisition Agreement"	the share purchase agreement dated 23 April 2013 entered into among the Company and the Vendors in relation to the Acquisition
"associates"	has the meaning ascribed thereto in the Listing Rules
"Bank Loan"	an outstanding bank loan payable by the Target Company in the principal amount of CHF26,000,000 (equivalent to approximately HK$215,800,000) as at the date of the Acquisition Agreement, which is expected to be increased to CHF30,000,000 (equivalent to approximately HK$249,000,000) before Closing
"Board"	the board of Directors
"Business Day(s)"	any day(s) other than Saturday or Sunday on which banks are open for business in Zurich and Hong Kong
"CHF"	Swiss Franc, the lawful currency of Switzerland, and the exchange rate for CHF into HK$ for the purpose of this announcement is CHF1 = HK$8.3
"Closing"	completion of the Acquisition Agreement pursuant to the terms and conditions thereof
"Closing Date"	the day on which Closing occurs
"Closing Loan A"	the loan to be granted by the Company to the Target Company pursuant to the Closing Loan A Agreement in the amount of CHF31,000,000 (equivalent to approximately HK$257,300,000)
"Closing Loan A Agreement"	the agreed form of the loan agreement to be entered into between the Company and the Target Company at Closing in relation to the grant of the Closing Loan A by the Company to the Target Company

"Closing Loan B"	the loan to be granted by the Company to the Target Company pursuant to the Closing Loan B Agreement
"Closing Loan B Agreement"	the agreed form of the loan agreement to be entered into between the Company and the Target Company at Closing in relation the grant of the Closing Loan B by the Company to the Target Company in the amount of CHF16,000,000 (equivalent to approximately HK$132,800,000)
"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
"Company's Controlled Person(s)"	the controlling Shareholder or his family or parties controlled by him or his family
"connected person"	has the meaning ascribed thereto in the Listing Rules and the word "connected" shall be construed accordingly
"Consideration"	consideration for the Sale Shares payable by the Company pursuant to the Acquisition Agreement
"Consideration Shares"	not more than 450,000,000 new Shares to be allotted and issued by the Company to the Vendors to satisfy the Consideration pursuant to the Acquisition Agreement and to grant the Shares Loan pursuant to the Shares Loan Agreement
"controlling Shareholder"	has the meaning ascribed thereto in the Listing Rules
"Directors"	the directors of the Company
"Fair Future Consideration Shares"	as defined in the section headed "Effects of the Acquisition on the shareholding structure" in this announcement
"General Mandate"	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 28 May 2012 which may be utilised up to 848,496,984 Shares
"Group"	the Company and its subsidiaries

"Group Material Adverse Change"	any event, change or circumstance which has occurred or is reasonably expected to occur, which is reasonably expected to have a material adverse effect on the assets, liabilities, results of operations, trading, financial position, or the business of the Group as a whole and was not, and could in good faith not be, reasonably anticipated by the Vendors at the date of the Acquisition Agreement, excluding any change resulting from (i) any conditions or occurrences affecting the economy in general or the watch industry specifically or the finance, securities or capital markets; (ii) the transactions contemplated by the Acquisition Agreement or their announcement; (iii) currency exchange rate developments; or (iv) changes in laws, regulations or governmental policies
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	the International Financial Reporting Standards
"Indebtedness"	the consolidated bank debt and other third party indebtedness for financing purposes on the Closing Date (including, for the avoidance of doubt, accrued interest until the Closing) including (i) any applicable value added tax relating to the purchase by the Target Company of the Pavilion, which is not recoverable by the Target Company; (ii) any termination penalties arising in connection with the early repayment of the Bank Loan in accordance with the Acquisition Agreement; and (iii) the outstanding amounts under the Shareholder Loans including accrued interest thereon, but, for the avoidance of doubt, excluding (a) payables arising from ordinary trading and service activities of the Target Group on the Closing Date such as trade accounts payable as at Closing Date, accrued expenses, deferred income, provisions and other payables; (b) any liability related to pension funds required by International Accounting Standard (IAS) 19 excluding any pension obligation recognised in the Target Company Financial Statements and the Target Group Financial Statements or according to laws or accounting principles other than Swiss law and Swiss accounting principles; (c) any obligations of the Target Group as lessee under leases that have been recorded as capital leases; (d) any intercompany indebtedness between the Target Group; and (e) the outstanding amount under the Pre-Closing Loan and accrued interest thereon

"Issue Price"	approximately CHF0.0964 (equivalent to HK$0.8) per Consideration Share
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	the date which is three months after the date of the Acquisition Agreement
"MW"	Mr. Michael Wunderman (as trustee of the Michael Wunderman Trust dated 2 October 1998)
"MW Loan"	an outstanding shareholder loan granted by MW to the Target Company in the principal amount of US$5,450,525.55 (equivalent to approximately CHF5.1 million or HK$42.2 million) as at the date of the Acquisition Agreement
"Outstanding Shareholder Loan Amount"	as defined in the sub-section headed "Refinancing of the Shareholders' Loans and the Bank Loan" under the section headed "The Acquisition Agreement" in this announcement
"Pavilion"	the pavilion owned by WIP which is used in the trade and business of the Target Group
"Pavilion Purchase Agreement"	the agreed form of the sale and purchase agreement to be entered into between the Target Company and WIP at Closing for the sale by WIP and purchase by the Target Company of the Pavilion at the Pavilion Purchase Price
"Pavilion Purchase Price"	the purchase price in the amount of CHF6,000,000 (equivalent to approximately HK$49,800,000) payable by the Target Company to WIP pursuant to the Pavilion Purchase Agreement
"PRC"	the People's Republic of China
"Pre-Closing Loan"	the loan with principal amount of CHF5,000,000 (equivalent to approximately HK$41,500,000) to be provided by the Company to the Target Company pursuant to the Pre-Closing Loan Agreement
"Pre-Closing Loan Agreement"	the agreement dated 23 April 2013 entered into between the Company and the Target Group in relation of the provision of the Pre-Closing Loan

"Promissory Notes"	three promissory notes, namely (i) one promissory note in the principal amount of CHF10,000,000 (equivalent to approximately HK$83,000,000); and (ii) two promissory notes in the principal amount of CHF3,000,000 (equivalent to approximately HK$24,900,000) each, to be issued by the Company to the Target Company (or the Target Company's assignees) at the Closing Date pursuant to the Closing Loan B Agreement
"Sale Shares"	3,000 shares of the Target Company, being 100% equity interest in the Target Company
"Share Pledge Agreement"	the agreement dated 23 April 2013 entered into between the Company and SPAG pursuant to which SPAG agreed to pledge its 500 shares in the Target Company to the Company in respect of the Pre-Closing Loan
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Loans"	collectively the SPAG Loans and the MW Loan
"Share(s)"	ordinary share(s) of HK$0.10 each in the issued share capital of the Company
"Shares Loan"	the loan to be granted by the Company to the Target Company pursuant to the Shares Loan Agreement disbursed by way of such part of the Consideration Shares in lieu of cash
"Shares Loan Agreement"	the agreed form of the loan agreement to be entered into between the Company and the Target Company at Closing in relation the grant of the Shares Loan by the Company to the Target Company
"SPAG"	Severin Participations AG, a company incorporated in Switzerland with limited liability
"SPAG Loan A"	an outstanding loan granted to the Target Company by SPAG pursuant to a loan agreement dated 31 December 2011 entered into between the Target Company and SPAG, with principal amount of CHF11,000,000 (equivalent to approximately HK$91,300,000) as at the date of the Acquisition Agreement

"SPAG Loan B"	an outstanding loan granted to the Target Company by SPAG pursuant to a loan agreement dated 30 June 2012 entered into between the Target Company and SPAG, with principal amount of CHF5,000,000 (equivalent to approximately HK$41,500,000) as at the date of the Acquisition Agreement
"SPAG Loans"	collectively the SPAG Loan A and the SPAG Loan B
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Montres Corum Sàrl, a company incorporated in Switzerland with limited liability and owned as to 90%, 5% and 5% by SPAG, MW and AC respectively
"Target Company Financial Statements"	the audited statutory financial statements of the Target Company for the years ended 30 June 2011 and 2012
"Target Group"	the Target Company and its subsidiaries
"Target Group Financial Statements"	the audited consolidated financial statements of the Target Group for the years ended 30 June 2011 and 2012
"Target Group Material Adverse Change"	any event, change or circumstance which has occurred or is reasonably expected to occur, which is reasonably expected to have a material adverse effect on the assets, liabilities, results of operations, trading, financial position, or the business of the Target Group as a whole and was not, and could in good faith not be reasonably anticipated by the Company as at the date of the Acquisition Agreement, excluding any change resulting from (i) any conditions or occurrences affecting the economy in general or the watch industry specifically or the finance, securities or capital markets, (ii) the transactions contemplated by the Acquisition Agreement or their announcement, (iii) currency exchange rate developments, or (iv) changes in laws, regulations or governmental policies
"US$"	United States dollars, the lawful currency of the United States of America, and the exchange rates for US$ into CHF and US$ into HK$ for the purpose of this announcement are US$1 = CHF0.94 and US$1 = HK$7.75 respectively
"Vendors"	collectively SPAG, MW and AC

"WIP"	Wunderman Investment Partnership LLP, a limited liability partnership formed in the United States of America and an affiliate of SPAG
"%"	per cent.

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

Hong Kong, 23 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.