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CHINA HAIDIAN HOLDINGS LIMITED

中國海澱集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 256)

DISCLOSEABLE TRANSACTION

Financial Adviser to China Haidian Holdings Limited



On 23 September 2013, Actor Investments, a wholly-owned subsidiary of the Company, conditionally agreed to sell and the Purchaser conditionally agreed to acquire the 51% equity interest of Ruihuang. The Sale Interest represents the entire shareholding interest of Actor Investments in Ruihuang.

The aggregate consideration to be received by Actor Investments from the Purchaser including the consideration for the Sale Interest, the assignment of the Related Parties Loans and the unpaid dividend and also the payment of the compensation is RMB100,523,156.64 (equivalent to approximately HK\$126,659,177.36).

The Disposal together with the transactions contemplated under the Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

THE AGREEMENT

Date

23 September 2013

Parties

Vendor : Actor Investments

Purchaser : 北京石橋投資管理有限公司 (Beijing Shiqiao Investment Management Company Limited*), a company established in the PRC with limited liability

The Purchaser is principally engaged in investment and asset management and is owned as to 80% by 林玲玲 (Lin Lingling*) and 20% by 曹莉玲 (Cao Liling*). To the best of knowledge, information and belief of the Directors and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject matter

Pursuant to the Agreement, Actor Investments, a wholly-owned subsidiary of the Company, conditionally agreed to sell and the Purchaser conditionally agreed to acquire the 51% equity interest of Ruihuang at a consideration of RMB25,300,000 (equivalent to approximately HK\$31,878,000). The Sale Interest represents the entire shareholding interest of Actor Investments in Ruihuang.

Further, Ruihuang had loans owed to Actor Investments and a wholly-owned subsidiary of the Company of RMB48,000,000 (equivalent to approximately HK\$60,480,000) in aggregate as at the date of the Agreement. Pursuant to the Agreement, the Purchaser agreed to take up the Related Parties Loans on a dollar-for-dollar basis.

Up to 31 August 2013, the board of directors of Ruihuang have resolved to distribute dividend of RMB17,223,156.64 (equivalent to approximately HK\$21,701,177.36) to Actor Investments. Pursuant to the Agreement, Actor Investments agreed to assign its rights to the aforesaid unpaid dividend to the Purchaser on a dollar-for-dollar basis.

Pursuant to the joint venture agreement entered into between Actor Investments and the PRC Partner in respect of the formation of Ruihuang, the PRC Partner has undertaken that it shall not involve in, directly or indirectly, the business conducted or carried on by Ruihuang or any other business which competes with the business of Ruihuang. As a compensation to the PRC Partner for the aforesaid non-competition undertaking, Actor Investments has paid the PRC Partner RMB10,000,000 (equivalent to approximately HK\$12,600,000). Pursuant to the Agreement, after completion of the Disposal, the Purchaser shall be entitled to require the PRC Partner to continue to abide by its non-competition undertaking. Accordingly, the Purchaser agreed to pay the RMB10,000,000 (equivalent to approximately HK\$12,600,000) compensation fee to Actor Investments.

Consideration

The aggregate consideration to be received by Actor Investments from the Purchaser under the Agreement for the matters set out in the above sub-section headed “Subject matter”, including the consideration for the Sale Interest, the assignment of the Related Parties Loans and the unpaid dividend and also the payment of the compensation is RMB100,523,156.64 (equivalent to approximately HK\$126,659,177.36) in cash. The payment terms of the consideration are as follows:

- a. RMB30,156,947 (equivalent to approximately HK\$37,997,753.22), being the first instalment payable to Actor Investments before 31 December 2013;
- b. RMB35,183,104.82 (equivalent to approximately HK\$44,330,712.07), being the second instalment payable to Actor Investments before 30 June 2014; and
- c. RMB35,183,104.82 (equivalent to approximately HK\$44,330,712.07), being the last instalment payable to Actor Investments before 31 December 2014.

The aggregate consideration was arrived at after arm’s length negotiations between Actor Investments and the Purchaser taking into consideration of, among other things, (i) the unaudited net asset value attributable to the 51% interest of Ruihuang of approximately RMB29.3 million (equivalent to approximately HK\$36.9 million) as at 31 August 2013; (ii) the assignment of the aggregate outstanding amount of the Related Parties Loans as at the date of the Agreement of RMB48,000,000 (equivalent to approximately HK\$60,480,000); (iii) the assignment of the unpaid dividend of Ruihuang of RMB17,223,156.64 (equivalent to approximately HK\$21,701,177.36) up to 31 August 2013; and (iv) the compensation amount of RMB10,000,000 (equivalent to approximately HK\$12,600,000) paid by Actor Investments.

Conditions precedent

Completion of the Disposal is conditional upon:

- (i) each of Actor Investments, the Purchaser, Ruihuang and their respective board of directors having approved Actor Investments and the Purchaser to sign and execute the Agreement, and the relevant board resolutions being presented;
- (ii) the Purchaser having paid the first instalment of the consideration of RMB30,156,947 (equivalent to approximately HK\$37,997,753.22) to Actor Investments; and
- (iii) the transfer of the Sale Interest being approved by the relevant PRC foreign trading and investment management department and Ruihuang having obtained the relevant approval documents, and the relevant approval documents not imposing any material change to the terms of the Agreement.

The Purchaser has undertaken that it will apply for and obtain the approval documents of the relevant PRC foreign trading and investment management department in respect of the transfer of the Sale Interest within 15 days after the payment of the first instalment of the consideration. Completion of the Disposal shall fall on the date which all the above conditions are satisfied.

INFORMATION OF RUIHUANG

Overview

Ruihuang was established in the PRC with limited liability on 16 September 2010 and is currently owned as to 51% by Actor Investments and 49% by the PRC Partner. Ruihuang is principally engaged in distribution of watches and timepieces in the PRC. It currently has over 40 outlets in Chongqing and the southwestern regions of the PRC.

Financial information

The audited profit before and after taxation attributable to the 51% interest of Ruihuang was approximately RMB8.6 million (equivalent to approximately HK\$10.8 million) and RMB6.5 million (equivalent to approximately HK\$8.2 million) respectively for the year ended 31 December 2011, and was approximately RMB9.7 million (equivalent to approximately HK\$12.2 million) and RMB8.2 million (equivalent to approximately HK\$10.3 million) respectively for the year ended 31 December 2012, based on PRC accounting standards. As at 31 August 2013, the unaudited net asset value attributable to the 51% interest of Ruihuang was approximately RMB29.3 million (equivalent to approximately HK\$36.9 million).

FINANCIAL EFFECT OF THE DISPOSAL

The Group is expected to recognise an unaudited gain on the Disposal of approximately RMB13.2 million (equivalent to approximately HK\$16.6 million) based on the consideration of the Sale Interest of RMB25,300,000 (equivalent to approximately HK\$31,878,000) minus 51% of the unaudited net asset value of Ruihuang as at 31 August 2013 of RMB57,457,790.41 (equivalent to approximately HK\$72,396,815.92) after deducting distributable profit of RMB33,770,895.38 (equivalent to approximately HK\$42,551,328.18). It is intended that the net proceeds from the Disposal and the transactions contemplated under the Agreement of approximately RMB100.5 million (equivalent to approximately HK\$126.6 million) will be applied as general working capital and for future potential investments of the Group.

Upon completion of the Disposal, the Group will cease to have any interest in Ruihuang.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in manufacture and distribution of watches and timepieces and property investments.

The Directors consider that the Disposal represents an opportunity for the Group to realise its investment in Ruihuang and to use the net proceeds from the Disposal and the transactions contemplated under the Agreement for its general working capital and future potential investments. The net proceeds from the Disposal will enhance the financial position of the Group.

Based on the foregoing, the Directors (including the independent non-executive Directors) consider that the Disposal and the transactions contemplated under the Agreement are in the interests of the Company and the shareholders of the Company as a whole. The Directors (including the independent non-executive Directors) also consider that the terms of the Agreement are fair and reasonable.

GENERAL

The Disposal together with the transactions contemplated under the Agreement constitute a discloseable transaction of the Company and is therefore subject to the announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Actor Investments”	Actor Investments Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Agreement”	the conditional agreement dated 23 September 2013 entered into between Actor Investments and the Purchaser in respect of the Disposal
“Board”	the board of Directors
“Company”	China Haidian Holdings Limited 中國海澱集團有限公司, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Sale Interest pursuant to the Agreement
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

“PRC Partner”	重慶石橋鐘錶有限公司 (Chongqing Shiqiao Watch Company Limited*), a company established in the PRC with limited liability which owned 49% interest in Ruihuang
“Purchaser”	北京石橋投資管理有限公司 (Beijing Shiqiao Investment Management Company Limited*), a company established in the PRC with limited liability
“Related Parties Loans”	loans of RMB48,000,000 (equivalent to approximately HK\$60,480,000) in aggregate as at the date of the Agreement owed by Ruihuang to Actor Investments and Seti Timber Industry (Shenzhen) Co., Ltd., a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC, and the exchange rate for RMB into HK\$ for the purpose of this announcement is RMB1 = HK\$1.26
“Ruihuang”	瑞皇(重慶)鐘錶有限公司 (Ruihuang (Chongqing) Watch Company Limited*), a company established in the PRC with limited liability
“Sale Interest”	51% interest of Ruihuang beneficially owned by Actor Investments
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 23 September 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.

* For identification purpose only