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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)

OFF-MARKET SHARE REPURCHASE

Financial adviser to China Haidian Holdings Limited



THE SHARE REPURCHASE

On 13 February 2014, the Company and the Vendors entered into the Share Repurchase Agreement, pursuant to which the Company conditionally agreed to purchase and the Vendors conditionally agreed to sell 340,300,000 Shares, representing approximately 7.17% of the issued share capital of the Company as at the date of this announcement. The Repurchase Price is HK\$0.75 per Share. The aggregate consideration for the Repurchase Shares is HK\$255,225,000 (equivalent to US\$32,889,820).

The Share Repurchase is conditional on, among other things, (i) the Executive having granted and not having withdrawn his approval of the Share Repurchase under Rule 2 of the Repurchase Code; and (ii) the approval of the Share Repurchase by the Independent Shareholders in accordance with the requirements of the Repurchase Code and other applicable laws and regulations.

Following Completion, the Repurchase Shares will be cancelled in accordance with the Companies Law and the number of Shares in issue following the Share Repurchase will be reduced from 4,746,400,206 Shares (being the number of issued Shares as at the date of this announcement) to 4,406,100,206 Shares (assuming no other change in the issued share capital of the Company).

REPURCHASE CODE IMPLICATION

The Share Repurchase constitutes an off-market share repurchase by the Company under the Repurchase Code. The Company will make an application to the Executive for approval of the Share Repurchase pursuant to Rule 2 of the Repurchase Code. The Executive's approval, if granted, will be conditional upon, among other things, approval of the Share Repurchase by at least three-fourths of the votes cast on a poll by the Independent Shareholders at the EGM.

EGM

The EGM will be convened for the purpose of considering and, if thought fit, approving a resolution for the Share Repurchase. The Vendors, their associates and their respective concert parties are required to abstain from voting on the resolution. To the best knowledge of the Directors, save for these parties, no other Shareholder is required to abstain from voting on the resolution.

GENERAL

The Independent Board Committee has been established to consider the Share Repurchase and to give recommendation to the Independent Shareholders as to how to vote on the resolution to be proposed at the EGM in relation thereof. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the Share Repurchase. Further announcement will be made upon the appointment of the independent financial adviser.

A circular containing further details of the Share Repurchase, the letter from the Independent Board Committee giving its recommendation to the Independent Shareholders on the Share Repurchase, the letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Share Repurchase and the notice of the EGM will be despatched to the Shareholders within 21 days from the date of this announcement.

As Completion is subject to fulfillment of certain conditions, the Share Repurchase may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE SHARE REPURCHASE AGREEMENT

Date

13 February 2014

Parties

- (i) The Company, as the purchaser; and
- (ii) SPG and Mr. Tomlin, as the trustee of MW, as the vendors

SPG is wholly-owned by Severin Investment Company, which in turn is wholly-owned by Severin Wunderman Trust. The Severin Wunderman Family Foundation is the residual beneficiary of the Severin Wunderman Trust, an irrevocable trust governed by the laws of the States of Nevada, the United States. The trustee of each of the Severin Wunderman Family Foundation and MW is Mr. Tomlin. Although Mr. Tomlin holds the position of an executive director at Montres Corum Sàrl, a subsidiary of the Company, he is not a member of the board of Gérants (equivalent to board of directors) of Montres Corum Sàrl. Save for the aforesaid and the Vendors' interest in the Repurchase Shares, to the best knowledge of the Directors, information and belief, having made all reasonable enquiries, the Vendors and their beneficiaries are independent of and not connected with the Company or its connected persons.

Shares to be repurchased

Pursuant to the Share Repurchase Agreement, the Company conditionally agreed to purchase and the Vendors conditionally agreed to sell the Repurchase Shares, representing approximately 7.17% of the issued share capital of the Company as at the date of this announcement. To the best knowledge of the Directors, the Vendors do not hold any interest in Shares other than the Repurchase Shares.

Consideration

The Repurchase Price is HK\$0.75 per Share. The aggregate consideration for the Repurchase Shares is HK\$255,225,000 (equivalent to US\$32,889,820). On the Completion Date, the aggregate consideration shall be satisfied by the Company as follows:

- (i) the Company shall pay to SPG US\$5,174,130 (equivalent to approximately HK\$40.2 million) less SPG's share of stamp duty;
- (ii) the Company shall pay to MW US\$1,403,834 (equivalent to approximately HK\$10.9 million) less MW's share of stamp duty; and
- (iii) the Company shall issue four Promissory Notes to each of the Vendors with the principal amounts and due dates set out below:

	Principal amount		Due date
	SPG	MW	
1.	US\$5,174,130 (equivalent to approximately HK\$40.2 million)	US\$1,403,834 (equivalent to approximately HK\$10.9 million)	15 June 2014
2.	US\$5,174,130 (equivalent to approximately HK\$40.2 million)	US\$1,403,834 (equivalent to approximately HK\$10.9 million)	15 December 2014
3.	US\$5,174,130 (equivalent to approximately HK\$40.2 million)	US\$1,403,834 (equivalent to approximately HK\$10.9 million)	15 June 2015
4.	US\$5,174,130 (equivalent to approximately HK\$40.2 million)	US\$1,403,834 (equivalent to approximately HK\$10.9 million)	15 December 2015

The aggregate consideration will be financed by the Group's internal resources. The Repurchase Price was arrived at after arm's length negotiations between the Company and the Vendors having taken into account that (i) the Repurchase Shares are part of the Shares issued by the Company to the Vendors for their then equity interests in Montres Corum Sàrl under the Acquisition and the consideration Shares were issued at the issue price of HK\$0.8 per Share on 9 July 2013; and (ii) the recent market prices of the Shares.

The Repurchase Price represents:

- (i) a discount of 6.25% to the issue price of the Repurchase Shares of HK\$0.8 per Share;
- (ii) a discount of approximately 6.25% to the closing price of HK\$0.80 per Share quoted on the Stock Exchange on 12 February 2014, being the last trading day prior to the date of the Share Repurchase Agreement;
- (iii) a discount of approximately 3.85% to the average closing price of approximately HK\$0.78 per Share quoted on the Stock Exchange for the last five trading days up to and including 12 February 2014;
- (iv) a discount of approximately 2.60% to the average closing price of approximately HK\$0.77 per Share quoted on the Stock Exchange for the last ten trading days up to and including 12 February 2014;
- (v) the same as the average closing price of approximately HK\$0.75 per Share quoted on the Stock Exchange for the last 30 trading days up to and including 12 February 2014.

Conditions precedent

Completion is conditional upon the satisfaction of the following conditions:

- (i) the Independent Shareholders having approved the transactions contemplated under the Share Repurchase Agreement in accordance with the requirements of the Repurchase Code and other applicable laws and regulations, and having approved the manner of repurchase of the Repurchase Shares in accordance with the requirements of the Company's memorandum and articles of association;
- (ii) the Executive having granted and not having withdrawn his approval of the Share Repurchase;
- (iii) the representations and warranties given by the parties in the Share Repurchase Agreement remaining true and accurate in all respects and not misleading in any respect as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date;
- (iv) no notice, order, judgment, action or proceeding of any court, arbitrator, authority, statutory or regulatory body having been served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated by the Share Repurchase Agreement; and

- (v) in addition to the approvals and consents referred to in conditions (i) and (ii) above, all necessary approvals and consents required to be obtained by the Company from any authority or other third party in respect of the Share Repurchase Agreement and/or the transactions contemplated thereunder having been obtained unconditionally and irrevocably, or where such approval or consent is given subject to conditions, on such conditions as are reasonably acceptable to the Company.

The Company may at any time waive in whole or part and conditionally or unconditionally any of the above conditions (other than conditions (i), (ii), (iii) (with respect to the warranties given by the Company) and (iv)). The Vendors may at any time waive in whole or part and conditionally or unconditionally condition (iii) (with respect to the warranties given by the Company).

Completion

Completion shall take place on the third Business Day of the date on which the last of the aforesaid conditions (other than condition (iii), which shall be satisfied or waived at or before Completion) is satisfied or waived in accordance with the Share Repurchase Agreement (or such other date as may be agreed by the Company and the Vendors in writing). If the conditions (other than condition (iii)) are not satisfied or waived (as the case may be) on or before 15 April 2014 (or such other date as may be agreed by the Company and the Vendors in writing) and condition (iii) is not satisfied or waived on or before the Completion Date, the Share Repurchase Agreement shall automatically lapse without liability to any party thereto save for certain surviving provisions and rights and liabilities accrued prior to such lapse.

Terms of the Promissory Notes

The Promissory Notes shall become due and payable in full by the Company on their respective due dates, subject to the Company's right to redeem the whole or part of the outstanding principal amount of the relevant Promissory Note at any time prior to the due date if the Company has given to the holder of the Promissory Note not less than seven days prior written notice.

Notwithstanding the due dates of the Promissory Notes, the whole amount of the principal amount and all interest payable thereunder shall become immediately due and payable upon the events of (i) the Company failing to pay in full any amount due under the Promissory Notes on the due dates; (ii) the Company becoming insolvent or failing to pay its debts as they fall due; (iii) dissolution of the Company or the Company being under receivership; and (iv) any present or future security on or over all or substantially all of the assets of the Company or any of its material subsidiaries becoming enforceable.

The Promissory Notes will bear interest at 2.2% per annum. Accrued interest shall be paid on the due date or the date of redemption (as the case may be). If any amount due under the Promissory Notes is not paid on the due dates or the date of redemption (as the case may be), the Company will be required to pay interest on such amount at 6.6% per annum until such amount is paid in full.

The Promissory Notes may not be transferred by their holders to any person without the prior written approval of the Company.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the Company's shareholding structure as at the date of this announcement and immediately upon cancellation of the Repurchase Shares.

Assuming none of the Share Options are exercised

	As at the date of this announcement		Immediately upon cancellation of the Repurchase Shares	
	Number of Shares	%	Number of Shares	%
Sincere View International Limited (Note 1)	1,163,247,515	24.51	1,163,247,515	26.40
Full Day (Note 1)	1,750,000,000	36.87	1,750,000,000	39.72
Lam Suk Ying (Note 1)	1,374,000	0.03	1,374,000	0.03
Hon Kwok Lung (Note 1)	3,500,000	0.07	3,500,000	0.08
Sub-total of Full Day and parties acting in concert with it	2,918,121,515	61.48	2,918,121,515	66.23
Directors:				
Fung Tze Wa (Note 2)	3,500,000	0.07	3,500,000	0.08
Lam Toi Man (Note 3)	3,500,000	0.07	3,500,000	0.08
Shang Jianguang (Note 3)	8,000,000	0.17	8,000,000	0.18
Shi Tao (Note 3)	5,000,000	0.11	5,000,000	0.11
Public Shareholders:				
SPG	267,675,000	5.64	–	–
MW	72,625,000	1.53	–	–
Tomlin Management Company (Note 4)	31,125,000	0.66	31,125,000	0.71
Sub-total of the Vendors and their concert parties	371,425,000	7.83	31,125,000	0.71
Other public Shareholders	1,436,853,691	30.27	1,436,853,691	32.61
Sub-total of public Shareholders	1,808,278,691	38.10	1,467,978,691	33.32
Total	4,746,400,206	100.00	4,406,100,206	100.00

Assuming the outstanding Share Options are exercised in full

	Immediately upon exercise of the outstanding Share Options in full		Immediately after the exercise of the outstanding Share Options in full and upon cancellation of the Repurchase Shares	
	Number of Shares	%	Number of Shares	%
Sincere View International Limited (Note 1)	1,163,247,515	24.42	1,163,247,515	26.30
Full Day (Note 1)	1,750,000,000	36.74	1,750,000,000	39.57
Lam Suk Ying (Note 1)	1,374,000	0.03	1,374,000	0.03
Hon Kwok Lung (Note 1)	3,500,000	0.07	3,500,000	0.08
Sub-total of Full Day and parties acting in concert with it	2,918,121,515	61.26	2,918,121,515	65.98
Directors:				
Fung Tze Wa (Note 2)	3,500,000	0.07	3,500,000	0.08
Li Qiang (Note 2)	3,500,000	0.07	3,500,000	0.08
Lam Toi Man (Note 3)	3,500,000	0.07	3,500,000	0.08
Shang Jianguang (Note 3)	8,000,000	0.17	8,000,000	0.18
Shi Tao (Note 3)	5,000,000	0.10	5,000,000	0.11
Public Shareholders:				
SPG	267,675,000	5.62	–	–
MW	72,625,000	1.52	–	–
Tomlin Management Company (Note 4)	31,125,000	0.65	31,125,000	0.70
Sub-total of the Vendors and their concert parties	371,425,000	7.79	31,125,000	0.70
Other public Shareholders	1,450,063,691	30.47	1,450,063,691	32.79
Sub-total of public Shareholders	1,821,488,691	38.26	1,481,188,691	33.49
Total	4,763,110,206	100.00	4,422,810,206	100.00

Notes:

1. 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. Full Day is wholly-owned by Mr. Hon Kwok Lung. Mr. Hon Kwok Lung is the Chairman of the Company.
2. Mr. Fung Tze Wa and Mr. Li Qiang are independent non-executive Directors.
3. Mr. Lam Toi Man, Mr. Shang Jianguang and Mr. Shi Tao are executive Directors.
4. The sole beneficial owner of Tomlin Management Company is Mr. Tomlin.

Save for 16,710,000 Share Options, there are no outstanding convertibles, warrants or rights to subscribe for any Shares as at the date of this announcement.

Following Completion, the Repurchase Shares will be cancelled in accordance with the Companies Law and the number of Shares in issue following the Share Repurchase will be reduced from 4,746,400,206 Shares (being the number of issued Shares as at the date of this announcement) to 4,406,100,206 Shares (assuming no other change in the issued share capital of the Company) and, therefore, the shareholding interest of the Shareholders will increase proportionally.

As illustrated by the above shareholding table, the interest of Full Day will increase from approximately 36.87% as at the date of this announcement to approximately 39.72% immediately upon Completion (assuming no other change in the issued share capital of the Company). The increase in the shareholding interest of Full Day in the Company as a result of the Share Repurchase would give rise to an obligation to make an offer under Rule 26 of the Takeovers Code. Full Day and parties acting in concert with it will hold more than 50% of the issued share capital of the Company before and after Completion. Full Day has made an application to, and the Executive has granted a waiver from such obligation under Note 6(b) to Rule 26.1 of the Takeovers Code.

FINANCIAL EFFECTS OF THE SHARE REPURCHASE

The Share Repurchase will not materially affect the financial position of the Group. Assuming the Share Repurchase had taken place on 30 June 2013, the unaudited consolidated net asset value of the Company as at 30 June 2013 would decrease by approximately HK\$254,969,775, being the aggregate consideration for the Repurchase Shares less stamp duty. For illustrative purpose, net asset value per Share would increase slightly from approximately HK\$0.88 per Share based on the unaudited consolidated net asset value (excluding non-controlling interests) of approximately HK\$4,196.5 million and number of issued Shares as at the date of this announcement, to HK\$0.89 per Share after Completion.

REASONS FOR AND BENEFITS OF THE SHARE REPURCHASE

The Company issued 347,562,500 Shares at HK\$0.8 per Share to the Vendors for their then equity interests in Montres Corum Sàrl under the Acquisition. The Vendors hold 340,300,000 Shares as at the date of this announcement, of which 325,282,854 Shares are subject to lock-up and sale restrictions. Pursuant to the terms of the agreement of the Acquisition, the Company's consent to a sale or disposal of the consideration Shares in higher volumes than permitted under the 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. The Vendors approached the Company to seek consent for disposing of all their interests in the Company. The Vendors also offered to sell the Shares to the Company.

Given the high volume of the Shares held by the Vendors (being approximately 7.17% of the issued share capital of the Company) compared to the thin average trading volume of the Shares (being approximately 0.07% of the issued share capital of the Company for the last 60 trading day prior to and including 12 February 2014), it may be difficult for the Vendors to dispose of their interests in the Shares by way of block trade or share placement without a substantial discount to the Share prices, which may exert a downward pressure on the Share prices.

The Company considers that the Share Repurchase represents an opportunity to repurchase the Shares at a discount to the issue price of the Shares issued to the Vendors in July 2013 and to avoid the possible disposal of a high volume of Shares by the Vendors at a substantial discount to the then Share prices, which may exert a downward pressure on the Share prices. The Share Repurchase is expected to have a positive effect on the net asset value per Share and create greater Shareholder value.

In view of the aforesaid, the Directors (excluding the independent non-executive Directors whose views will be set out in the circular to be despatched to the Shareholders after taking advice from the independent financial adviser) consider that the terms of the Share Repurchase Agreement are fair and reasonable and the Share Repurchase is in the interests of the Company and the Shareholders as a whole.

Repurchase Code implication

The Share Repurchase constitutes an off-market share repurchase by the Company under the Repurchase Code. The Company will make an application to the Executive for approval of the Share Repurchase pursuant to Rule 2 of the Repurchase Code. The Executive's approval, if granted will be conditional upon, among other things, approval of the Share Repurchase by at least three-fourths of the votes cast on a poll by the Independent Shareholders at the EGM.

EGM

The EGM will be convened for the purpose of considering and, if thought fit, approving a resolution for the Share Repurchase. The Vendors and parties acting in concert with them hold 371,425,000 Shares, representing approximately 7.83% of the issued share capital of the Company as at the date of this announcement. The Vendors, their associates and their respective concert parties are required to abstain from voting on the resolution. To the best knowledge of the Directors, save for these parties, no other Shareholder is required to abstain from voting on the resolution approving the Share Repurchase. No Director is considered to have a material interest in the Share Repurchase, thus no Director has abstained from voting on the Board resolution approving the Share Repurchase.

GENERAL

The Group is principally engaged in the manufacture and distribution of watches and timepieces. For the two years ended 31 December 2011 and 2012, the audited net profit before taxation of the Group were approximately HK\$334.0 million and HK\$413.7 million respectively, and the audited net profit after taxation of the Group were approximately HK\$265.8 million and HK\$310.3 million respectively. As at 30 June 2013, the unaudited net asset value of the Group was approximately HK\$4,375.5 million.

The Independent Board Committee has been established to consider the Share Repurchase and to give recommendation to the Independent Shareholders as to how to vote on the resolution to be proposed at the EGM in relation thereof. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the Share Repurchase. The Independent Board Committee will approve the appointment of the independent financial adviser before the appointment is made. Further announcement will be made upon the appointment of the independent financial adviser.

A circular containing further details of the Share Repurchase, the letter from the Independent Board Committee giving its recommendation to the Independent Shareholders on the Share Repurchase, the letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Share Repurchase and the notice of the EGM will be despatched to the Shareholders within 21 days from the date of this announcement.

As Completion is subject to fulfillment of certain conditions, the Share Repurchase may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meaning:

“Acquisition”	the acquisition of 100% equity interest in Montres Corum Sàrl by the Company and related transactions, details of which were disclosed in the Company’s announcements dated 23 April 2013 and 10 July 2013 and circular dated 25 June 2013
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which commercial banks are open for business in Hong Kong (excluding Saturdays, Sundays, public holidays and any weekday on which typhoon signal no. 8 or higher is hoisted or a black rain storm warning is given in Hong Kong at any time during 9:00 a.m. to 5:00 p.m.)
“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
“Companies Law”	the Companies Law of the Cayman Islands

“Completion”	completion of the sale and purchase of the Repurchase Shares pursuant to the Share Repurchase Agreement
“Completion Date”	the date of Completion
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Share Repurchase
“Executive”	the Executive Director of the Corporate Financial Division of the Securities and Futures Commission or any of his delegates
“Full Day”	a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Hon Kwok Lung, the Chairman of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the committee of the Board comprising all the independent non-executive Directors, namely Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael and Mr. Li Qiang, which has been established for the purpose of advising and giving recommendation to the Independent Shareholders in respect of the Share Repurchase
“Independent Shareholders”	Shareholders other than the Vendors, their associates and their respective concert parties
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Montres Corum Sàrl”	a company incorporated in Switzerland with limited liability and a wholly-owned subsidiary of the Company
“Mr. Tomlin”	Mr. Richard E. Tomlin Jr
“MW”	Severin Wunderman Family Trust for the benefit of Michael Wunderman

“parties acting in concert/ concert parties”	has the meaning ascribed to it under the Takeovers Code
“Promissory Notes”	four promissory notes in the aggregate principal amount of US\$26,311,856 (equivalent to approximately HK\$204.4 million) to be issued by the Company to the Vendors at the Completion Date pursuant to the Share Repurchase Agreement
“Repurchase Code”	the Code on Share Repurchases
“Repurchase Price”	HK\$0.75 per Share to be payable by the Company for the Share Repurchase
“Repurchase Shares”	340,300,000 Shares held by the Vendors to be repurchased by the Company pursuant to the Share Repurchase Agreement
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Options”	share options granted by the Company pursuant to its share option scheme adopted on 30 May 2008
“Share Repurchase”	the repurchase of the Repurchase Shares by the Company from the Vendors pursuant to the terms of the Share Repurchase Agreement
“Share Repurchase Agreement”	the agreement dated 13 February 2014 entered into between the Company and the Vendors in respect of the Share Repurchase
“SPG”	Severin Participations GmbH (formerly known as Severin Participations AG)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers
“Vendors”	SPG and Mr. Tomlin, as the trustee of MW

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States and the exchange rate between US\$ and HK\$ for the purpose of this announcement is US\$1:HK\$7.77
“%”	per cent.

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

Hong Kong, 13 February 2014

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.

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