

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.



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 AND CONNECTED TRANSACTION IN RELATION TO A PROPOSED SHARE DISPOSAL

Financial Adviser to China Haidian Holdings Limited



THE SHARE DISPOSAL

The Board hereby announces that on 2 May 2014, Starlex, a wholly-owned subsidiary of the Company, and Fujian Fengrong entered into the Share Disposal Agreement, pursuant to which Starlex conditionally agreed to sell and Fujian Fengrong conditionally agreed to acquire not more than 55,000,000 Citychamp Shares through the Shanghai Stock Exchange block trading system on a date on or before 31 December 2014. Pursuant to the Share Disposal Agreement, the selling price per Citychamp Sale Share will be determined based on the closing price of the Citychamp Shares on the date of transaction and the Minimum Selling Price, whichever is higher, provided that such selling price is within the Permissible Price Range. For illustrative purpose, the Consideration will be RMB302.5 million (equivalent to approximately HK\$378.1 million) for the disposal of the maximum of 55,000,000 Citychamp Sale Shares at the Minimum Selling Price.

Starlex currently owns 85,389,058 Citychamp Shares, representing approximately 7.2% of the issued share capital of Citychamp. Upon disposal of the maximum of 55,000,000 Citychamp Shares, Starlex will own 30,389,058 Citychamp Shares, representing approximately 2.6% of the issued share capital of Citychamp.

GENERAL

The Previous Disposal and the Share Disposal (which are aggregated pursuant to Rule 14.22 of the Listing Rules) constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Fujian Fengrong is owned as to approximately 68.5% by Ms. Sit and 31.5% by Ms. Lu. Ms. Sit is an executive Director. As Fujian Fengrong is a connected person of the Company, the Share Disposal also constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules and is subject to the approval by the Independent Shareholders at the EGM by way of poll.

The EGM will be convened at which a resolution will be proposed to seek the Independent Shareholders' approval of the Share Disposal Agreement and the transactions contemplated thereunder. Fujian Fengrong, its ultimate beneficial owners and its associates as well as Mr. Hon Kwok Lung and his associates are required to abstain from voting at the EGM.

The Independent Board Committee, comprising the independent non-executive Directors, has been formed to advise the Independent Shareholders on the terms of the Share Disposal Agreement. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Share Disposal; (ii) a letter from the Independent Board Committee; (iii) a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Share Disposal; and (iv) the notice of the EGM is expected to be despatched to the Shareholders on or before 26 May 2014.

THE SHARE DISPOSAL

The Board announces that on 2 May 2014, Starlex, a wholly-owned subsidiary of the Company, and Fujian Fengrong entered into the Share Disposal Agreement pursuant to which Starlex conditionally agreed to sell and Fujian Fengrong conditionally agreed to acquire not more than 55,000,000 Citychamp Shares through the Shanghai Stock Exchange block trading system on a date on or before 31 December 2014. The major terms of the Share Disposal Agreement are set forth below:

THE SHARE DISPOSAL AGREEMENT

Date

2 May 2014

Parties

Vendor: Starlex, a wholly-owned subsidiary of the Company

Purchaser: Fujian Fengrong

The principal activity of both Starlex and Fujian Fengrong is investment holding.

Fujian Fengrong is the single largest shareholder of Citychamp. As at the date of this announcement, Fujian Fengrong owns 349,104,078 Citychamp Shares, representing approximately 29.3% of the issued share capital of Citychamp.

Fujian Fengrong is owned as to approximately 68.5% by Ms. Sit and 31.5% by Ms. Lu. Ms. Sit is an executive Director and hence a connected person of the Company. In addition, both Ms. Sit and Ms. Lu are daughters-in-law of Mr. Hon Kwok Lung. Mr. Hon Kwok Lung, an executive Director, together with his wife collectively controlled approximately 66.9% of the Company as at the date of this announcement. Hence, Ms. Lu is also a connected person of the Company. Fujian Fengrong, being an associate of Ms. Sit and Ms. Lu, also constitutes a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

Subject matter

Pursuant to the Share Disposal Agreement, Starlex conditionally agreed to sell and Fujian Fengrong conditionally agreed to acquire not more than 55,000,000 Citychamp Shares through the Shanghai Stock Exchange block trading system on a date on or before 31 December 2014.

PRC regulatory restrictions

Pursuant to the relevant rules of the Shanghai Stock Exchange, for trading of A shares listed on the Shanghai Stock Exchange between two designated parties, the transaction must be conducted through the Shanghai Stock Exchange block trading system. Therefore, the Share Disposal must be conducted through the Shanghai Stock Exchange block trading system.

Pursuant to the relevant rules of the Shanghai Stock Exchange in effect on the date of this announcement, trading of A shares on the Shanghai Stock Exchange block trading system shall comply with the following requirements: (i) for a single trade, the trading volume is no less than 500,000 shares or the trading value is no less than RMB3 million; (ii) the transaction price of a block trade shall be agreed by the buyer and the seller within the range of plus or minus 10% of the closing price of the relevant shares on the last trading day prior to the date of transaction (the “**Permissible Price Range**”); (iii) the buyer and the seller in a block trade, upon agreeing on the trading terms, shall submit the terms of the transaction to the Shanghai Stock Exchange for obtaining the acknowledgement of the Shanghai Stock Exchange to proceed with the block trade. The terms of the transaction shall not be amended or revoked upon it is acknowledged by the Shanghai Stock Exchange; and (iv) the trading period of the Shanghai Stock Exchange block trading system is from 3:00 p.m. to 3:30 p.m. on each trading day of the Shanghai Stock Exchange.

Due to the Permissible Price Range and the fact that the date of conducting the Share Disposal will fall on a date between the date of the EGM and 31 December 2014, it would be impracticable for Starlex and Fujian Fengrong to determine the transaction price of the Citychamp Sale Shares at the time of signing the Share Disposal Agreement. If the transaction price is determined in advance, it is possible that such price does not fall within the relevant Permissible Price Range on or before 31 December 2014. In such event, the Share Disposal cannot proceed.

Consideration

The transaction price per Citychamp Sale Share will be determined based on the closing price of the Citychamp Shares on the date of transaction and the Minimum Selling Price, whichever is higher, provided that such transaction price is within the Permissible Price Range.

The Minimum Selling Price of RMB5.5 per Citychamp Sale Share was arrived at after arm's length negotiations between Starlex and Fujian Fengrong taking into consideration of the recent closing prices of the Citychamp Shares. The Minimum Selling Price represents:

- (i) a premium of approximately 9.6% over the closing price of RMB5.02 (equivalent to approximately HK\$6.28) per Citychamp Share on 30 April 2014, being the last trading day of the Citychamp Shares prior to the date of the Share Disposal Agreement;
- (ii) a premium of approximately 3.2% over the average closing price of approximately RMB5.33 (equivalent to approximately HK\$6.66) per Citychamp Share for the five trading days up to and including 30 April 2014;
- (iii) a discount of approximately 6.9% to the average closing price of approximately RMB5.91 (equivalent to approximately HK\$7.39) per Citychamp Share for the 30 trading days up to and including 30 April 2014;
- (iv) a discount of approximately 19.9% to the average closing price of approximately RMB6.87 (equivalent to approximately HK\$8.59) per Citychamp Share for the 180 trading days up to and including 30 April 2014;
- (v) a discount of approximately 19.2% to the average closing price of approximately RMB6.81 (equivalent to approximately HK\$8.51) per Citychamp Share for the 360 trading days up to and including 30 April 2014; and
- (vi) a premium of approximately 32.0% over the audited net asset value attributable to the owners of Citychamp of approximately RMB3.94 (equivalent to approximately HK\$4.93) per Citychamp Share as at 31 December 2013.

The Minimum Selling Price provides flexibility for the Company to accommodate change in market condition and provides a floor level in which the Company can dispose of the Citychamp Sale Shares at an acceptable price. The Directors (other than the independent non-executive Directors whom will give their view after considering the advice of an independent financial adviser) consider that the terms of the Share Disposal Agreement are fair and reasonable.

Conditions precedent

The Share Disposal is conditional upon the fulfillment of the following conditions: (i) the approval of the Share Disposal Agreement and the transactions contemplated thereunder by the Independent Shareholders having been obtained at the EGM; (ii) the higher of the closing price of the Citychamp Shares on the date of transaction and the Minimum Selling Price falls within the Permissible Price Range; (iii) Fujian Fengrong complies with the

requirements under 《上市公司收購管理辦法》 (Administrative Measures for the Takeover of Listed Companies) and 《上海證券交易所上市公司控股股東、實際控制人行為指引》 (the Guidelines for the Conduct of the Controlling Shareholder and Beneficial Controller of a Company Listed on the Shanghai Stock Exchange); and (iv) the acknowledgement of the Shanghai Stock Exchange to proceed the transaction.

In the event that the conditions above have not been satisfied by 31 December 2014, the parties will terminate Share Disposal Agreement and none of the parties shall have any claim against the other in respect of the termination.

Completion of the Share Disposal shall take place and Starlex will receive the Consideration in full in cash on the date of completion of the registration of the transfer of the Citychamp Sale Shares pursuant to the relevant PRC securities regulations and procedures.

Transaction date

The Directors anticipate that the execution date of the transaction and the amount of Citychamp Sale Shares to be disposed of will be determined after taking into consideration of: (i) the then market price of the Citychamp Shares; (ii) any suitable investment opportunities arise; (iii) the funding needs of the Group; and (iv) the availability of alternative fund raising means. Mr. Hon Kwok Lung and Ms. Sit Lai Hei, being common directors of the Company and Fujian Fengrong, will abstain from the negotiation and approval of the exact date of the transaction and the number of Citychamp Sale Shares to be disposed of.

INFORMATION OF THE CITYCHAMP GROUP

Overview

The Citychamp Shares are listed on the Shanghai Stock Exchange. The Citychamp Group is principally engaged in property development and investment, and manufacture and sale of enamelled copper wires in the PRC. The property development projects of the Citychamp Group are mainly located in Beijing, Nanjing, Suzhou, Fuzhou and Guilin, the PRC. The enamelled copper wire production plants of the Citychamp Group are located in Fujian and Jiangsu provinces, the PRC. The enamelled copper wires produced by the Citychamp Group are mainly used in colour display, colour picture tube, televisions conversion machinery, air-conditioning compressors, electrical machinery and equipment, automobiles, electrical tools and transformers.

Financial information

The Citychamp Shares held by Starlex are recorded as available-for-sale financial assets in the Group's accounts. The carrying value of the Citychamp Shares held by Starlex amounted to approximately HK\$1,409.1 million and approximately HK\$699.4 million as at 31 December 2012 and 31 December 2013 respectively. The Group received dividend income of approximately HK\$17.2 million and approximately HK\$31.0 million from Citychamp for each of the two years ended 31 December 2013 respectively. The Group also received bonus shares of 65,245,897 Citychamp Shares during the year ended 31 December 2012 pursuant to a bonus issue of Citychamp.

The following table sets out the consolidated financial information of the Citychamp Group as extracted from Citychamp's annual report for the two years ended 31 December 2013.

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
	(Audited)	(Audited)
Revenue	8,225,480 (equivalent to approximately HK\$10,281.9 million)	6,256,272 (equivalent to approximately HK\$7,820.3 million)
Net profit before taxation	1,626,099 (equivalent to approximately HK\$2,032.6 million)	1,143,878 (equivalent to approximately HK\$1,429.8 million)
Net profit after taxation	1,284,801 (equivalent to approximately HK\$1,606.0 million)	861,742 (equivalent to approximately HK\$1,077.2 million)

As at 31 December 2013, the audited net asset attributable to owners of Citychamp was approximately RMB4,691.6 million (equivalent to approximately HK\$5,864.5 million).

FINANCIAL EFFECT OF THE SHARE DISPOSAL

For illustration purpose only, based on disposal of the maximum of 55,000,000 Citychamp Shares at the Minimum Selling Price, the gain from the Share Disposal would be approximately HK\$152 million. The actual gain on the Share Disposal will be calculated on the date of completion of the Share Disposal.

As at the date of this announcement, Starlex owns 85,389,058 Citychamp Shares, representing approximately 7.2% of the issued share capital of Citychamp. Upon completion of Share Disposal in full, Starlex will own 30,389,058 Citychamp Shares, representing approximately 2.6% of the issued share capital of Citychamp. The remaining Citychamp Shares held by Starlex will continue to be recorded as available-for-sale financial assets in the Group's accounts.

REASONS FOR AND BENEFITS OF THE SHARE DISPOSAL

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

The Share Disposal provides a good opportunity for the Group to partially realise its interest in Citychamp, a non-core asset, at a gain and to strengthen its financial position. For illustrative purpose only, based on disposal of the maximum of 55,000,000 Citychamp Shares at the Minimum Selling Price, the aggregate net proceeds from the Share Disposal is estimated to be approximately HK\$368 million.

Fujian Fengrong and Starlex are the largest and second largest shareholders of Citychamp respectively. Pursuant to the annual report of Citychamp for the year ended 31 December 2013, Fujian Fengrong and Starlex are parties acting in concert. The Directors consider that it is in the interest of the Company to sell the Citychamp Sale Shares to Fujian Fengrong instead of independent third parties as any reduction of the aggregate shareholding interests of Fujian Fengrong and Starlex may be perceived as negative news by shareholders and potential investors of Citychamp, which might adversely affect the market prices of Citychamp Shares and therefore affect the value of the remaining Citychamp Shares held by Starlex after Completion.

In light of the foregoing, the Directors (other than the independent non-executive Directors whom will give their view after considering the advice of an independent financial adviser) consider that the Share Disposal is in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

It is intended that the net proceeds from the Share Disposal will be used to finance any potential strategic acquisitions or investments in watches and timepieces business and as general working capital for the Group. This is in line with the Group's strategy as stated in the 2013 annual report that the Group will keep on identifying and evaluating opportunities and undertake mergers, acquisitions and alliances that are in the best interest of the Shareholders.

GENERAL

The Previous Disposal and the Share Disposal (which are aggregated pursuant to Rule 14.22 of the Listing Rules) constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Fujian Fengrong is owned as to approximately 68.5% by Ms. Sit and 31.5% by Ms. Lu. Ms. Sit is an executive Director. As Fujian Fengrong is a connected person of the Company, the Share Disposal also constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules and is subject to the approval by the Independent Shareholders at the EGM by way of poll.

The EGM will be convened at which a resolution will be proposed to seek the Independent Shareholders' approval of the Share Disposal Agreement and the transactions contemplated thereunder. Fujian Fengrong, its ultimate beneficial owners and its associates as well as Mr. Hon Kwok Lung and his associates are required to abstain from voting at the EGM.

The Independent Board Committee, comprising the independent non-executive Directors, has been formed to advise the Independent Shareholders on the terms of the Share Disposal Agreement. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Mr. Hon Kwok Lung and Ms. Sit Lai Hei, in view of their material interests in the Share Disposal by virtue of being common directors of the Company and Fujian Fengrong, have abstained from voting on the Board resolution regarding the Share Disposal Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) details of the Share Disposal; (ii) a letter from the Independent Board Committee; (iii) a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Share Disposal; and (iv) the notice of the EGM is expected to be despatched to the Shareholders on or before 26 May 2014.

DEFINITIONS

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

“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Citychamp”	冠城大通股份有限公司 (Citychamp Dartong Company Limited), a company established in the PRC and the shares of which are listed on the Shanghai Stock Exchange in the PRC
“Citychamp Group”	Citychamp and its subsidiaries
“Citychamp Sale Shares”	not more than 55,000,000 Citychamp Shares held by Starlex proposed to be sold to Fujian Fengrong pursuant to the Share Disposal Agreement, and “Citychamp Sale Share” shall mean any one of the Citychamp Sale Shares
“Citychamp Share(s)”	the ordinary share(s) of RMB1.00 (equivalent to approximately HK\$1.25) each in the issued share capital of Citychamp
“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
“connected person”	has the meaning ascribed thereto in the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	consideration for the Citychamp Sale Shares payable by Fujian Fengrong pursuant to the Share Disposal Agreement

“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the Share Disposal Agreement and the transactions contemplated thereunder
“Fujian Fengrong”	福建豐榕投資有限公司 (Fujian Fengrong Investment Company Limited), a company established in the PRC and owned as to approximately 68.5% and 31.5% by Ms. Sit and Ms. Lu respectively
“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
“Independent Board Committee”	the committee of the Board comprising the independent non-executive Directors which has been formed to advise the Independent Shareholders on the terms of the Share Disposal Agreement
“Independent Shareholders”	Shareholders other than Fujian Fengrong, its ultimate beneficial owners and its associates as well as Mr. Hon Kwok Lung and his associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minimum Selling Price”	the minimum selling price of RMB5.5 (equivalent to approximately HK\$6.88) per Citychamp Sale Share as stipulated under the Share Disposal Agreement
“Ms. Lu”	陸曉珺 (Lu Xiaojun), a shareholder of Fujian Fengrong
“Ms. Sit”	薛黎曦 (Sit Lai Hei), a shareholder of Fujian Fengrong and an executive Director
“Permissible Price Range”	as defined in the sub-section headed “Subject matter” under the section headed “The Share Disposal Agreement” of this announcement
“PRC”	the People’s Republic of China
“Previous Disposal”	the disposal of 52,000,000 Citychamp Shares by Starlex to Fujian Fengrong, details of which were disclosed in the Company’s announcements dated 22 April 2013 and 17 June 2013 and circular dated 24 May 2013

“RMB”	Renminbi, the lawful currency of the PRC, and the exchange rate for RMB into HK\$ for the purpose of this announcement is HK\$1 = RMB0.8
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Share Disposal”	the disposal of the Citychamp Sale Shares pursuant to the Share Disposal Agreement
“Share Disposal Agreement”	the conditional sale and purchase agreement entered into between Starlex and Fujian Fengrong on 2 May 2014 in respect of the Share Disposal
“Shareholder(s)”	holder(s) of the Share(s)
“Starlex”	Starlex Limited, a company established in the British Virgin Islands and a wholly-owned subsidiary of the Company
“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, 2 May 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.