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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

Starlex, a wholly-owned subsidiary of the Company, owns 90,619,301 Citychamp Shares, representing approximately 14.78% of the issued share capital of Citychamp as at the date of this announcement. On 16 October 2009, Starlex undertook to Citychamp to take up and accept its rights entitlement in full under the Rights Issue at a total consideration of not more than RMB236,516,373 (equivalent to approximately HK\$269.63 million).

Citychamp has proposed to raise net proceeds of not more than RMB1,600 million (equivalent to approximately HK\$1,824 million) from the Rights Issue on the basis of three Citychamp Rights Shares for every ten Citychamp Shares in issue. The Subscription Price shall be determined after negotiations between the board of directors of Citychamp and the placing agent of the Rights Issue. The bases of determination of the Subscription Price are set out in the section headed “The Subscription” below. According to an announcement dated 12 August 2009 issued by Citychamp, the Citychamp Shareholders duly passed the resolutions to approve the Rights Issue and the transactions contemplated thereunder. The Rights Issue is subject to the obtaining of the relevant approval from the CSRC.

According to the PRC securities law, if less than 70% of the rights entitlements are taken up and accepted by the Citychamp Shareholders, the Rights Issue will lapse and Citychamp shall return the subscription money plus interests to the relevant Citychamp Shareholders.

The Subscription constitutes a discloseable transaction for the Company and is subject to the disclosure requirements under Chapter 14 of the Listing Rules.

THE SUBSCRIPTION

Starlex, a wholly-owned subsidiary of the Company, owns 90,619,301 Citychamp Shares, representing approximately 14.78% of the issued share capital of Citychamp as at the date of this announcement. On 16 October 2009, Starlex undertook to Citychamp to take up and accept its rights entitlement in full under the Rights Issue at a total consideration of not more than RMB236,516,373 (equivalent to approximately HK\$269.63 million) payable in cash. The Group intends to satisfy the consideration by internal resources, debt and/or equity financing.

Set out below are the major terms of the Rights Issue as extracted from Citychamp's announcement dated 12 August 2009 in respect of the Rights Issue:

Basis of the Rights Issue : Three Citychamp Rights Shares for every ten Citychamp Shares.

Based on 612,918,781 Citychamp Shares in issue as at 30 June 2009 and as at the date of this announcement, 183,875,634 Citychamp Rights Shares will be issued.

The actual number of Citychamp Rights Shares is subject to adjustment should there be any changes to the issued share capital of Citychamp prior to the Record Date.

Subscription Price : The Subscription Price shall be determined after negotiations between the board of directors of Citychamp and the placing agent of the Rights Issue. The Subscription Price shall be determined with reference to the following: (i) the Subscription Price shall be not less than the Citychamp Group's latest published net asset value per Citychamp Share; (ii) the use of proceeds from the Rights Issue and the prospects of the Citychamp Group; (iii) the prevailing price and price-to-earnings multiple of the Citychamp Shares; and (iv) the principle(s) agreed upon between the board of Citychamp and the placing agent of the Rights Issue including the Subscription Price shall represent a discount to the then prevailing Citychamp Share price.

Net proceeds from the Rights Issue : Not more than RMB1,600 million (equivalent to approximately HK\$1,824 million).

Record Date : Citychamp will determine the Record Date after obtaining the approval from the CSRC in respect of the Rights Issue.

Time frame : Citychamp can proceed with the Rights Issue within six months from the date of approval of the Rights Issue by the CSRC.

The Citychamp Shareholders' approval of the Rights Issue will expire one year after the date of the Citychamp Shareholders' general meeting, being 11 August 2010.

According to the announcement dated 12 August 2009 issued by Citychamp, the Citychamp Shareholders duly passed the resolutions to approve the Rights Issue and the transactions contemplated thereunder. The Rights Issue is subject to the obtaining of the relevant approval from the CSRC.

Based on 90,619,301 Citychamp Shares owned by Starlex as at the date of this announcement, 27,185,790 Citychamp Rights Shares will be provisionally allotted to Starlex under the Rights Issue.

Fujian Fengrong, the single largest Citychamp Shareholder, has undertaken to Citychamp to take up and accept its rights entitlement in full under the Rights Issue.

According to the PRC securities law, if less than 70% of the rights entitlements are taken up and accepted by the Citychamp Shareholders, the Rights Issue will lapse and Citychamp shall return the subscription money plus interests to the relevant Citychamp Shareholders.

Use of proceeds

The net proceeds from the Rights Issue will be not more than RMB1,600 million (equivalent to approximately HK\$1,824 million). The net proceeds from the Rights Issue is intended to be applied as to: (i) RMB1,000 million (equivalent to approximately HK\$1,140 million) for the development of Area C of the Sunpalace Garden in the Taiyanggong New District of Beijing, the PRC; (ii) RMB500 million (equivalent to approximately HK\$570 million) for repayment of debt; and (iii) RMB100 million (equivalent to approximately HK\$114 million) for general working capital.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

Immediately after completion of the Rights Issue, Starlex's equity interest in Citychamp shall be maintained if the Rights Issue is fully subscribed. If the Rights Issue is not fully subscribed, Starlex's equity interest in Citychamp shall be increased accordingly. Assuming that 70% of the rights entitlements are taken up and accepted by the Citychamp Shareholders (being the minimum acceptance level under the PRC securities law), Starlex's shareholding interest in Citychamp will increase from approximately 14.78% as at the date of this announcement to approximately 15.88% immediately after completion of the Rights Issue. The investment in Citychamp will continue to be accounted for as an available-for-sale financial asset of the Group immediately after completion of the Rights Issue.

The Group's investment in Citychamp has generated a considerable amount of dividend income to the Group in the form of bonus shares and cash. Dividend income from Citychamp amounted to approximately HK\$48.38 million and approximately HK\$73.62 million for the year ended 31 December 2007 and 2008 respectively. The Subscription allows the Group to maintain its equity interest in Citychamp that has a sound profit track record and has distributed dividends to the Citychamp Shareholders in the past few years.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Subscription is in the interests of the Company and the Shareholders as a whole. Having considered the terms of the Rights Issue, in particular, the Subscription Price will represent a discount to the then prevailing share price of Citychamp, the Directors believe that the terms of the Subscription are fair and reasonable.

INFORMATION OF THE CITYCHAMP GROUP

Citychamp is a company listed on the Shanghai Stock Exchange. The Citychamp Group is principally engaged in property development and investment, and manufacture and sale of enameled copper wires.

Based on PRC accounting standards, the audited consolidated net profit before and after taxation and minority interests of the Citychamp Group were approximately RMB335.05 million (equivalent to approximately HK\$381.96 million) and approximately RMB206.95 million (equivalent to approximately HK\$235.92 million) for the year ended 31 December 2007 respectively and were approximately RMB329.15 million (equivalent to approximately HK\$375.23 million) and approximately RMB173.90 million (equivalent to approximately HK\$198.25 million) for the year ended 31 December 2008 respectively.

The unaudited consolidated net asset value of the Citychamp Group as at 30 June 2009 was approximately RMB1,341.03 million (equivalent to approximately HK\$1,528.77 million).

Fujian Fengrong, the single largest Citychamp Shareholder, is interested in approximately 22.87% of the issued share capital of Citychamp as at the date of this announcement. Fujian Fengrong is owned as to approximately 68.5% and 31.5% by Ms. Sit and Ms. Lu respectively. Ms. Sit is a non-executive Director and hence a connected person of the Company. In addition, both Ms. Sit and Ms. Lu are daughters-in-laws of Mr. Hon. Save as the aforesaid and to the Directors' best knowledge, no connected person of the Company has any equity interest in Citychamp. Ms. Sit and Ms. Lu do not have any interest in the Company.

Fujian Fengrong is interested in less than 30% of the issued share capital of Citychamp. In addition, under the PRC law, Ms. Sit and Ms. Lu do not, by virtue of their approximately 22.87% interests in Citychamp, have control over the board of directors of Citychamp and its subsidiaries and thus Ms. Sit and Ms. Lu are not able to appoint the directors of Citychamp without the support of other Citychamp Shareholders. Therefore, Citychamp is not a connected person of the Company under the Listing Rules. Mr. Hon is the chairman of Citychamp and Ms. Sit is a director of Citychamp while Ms. Lu does not hold any position in Citychamp.

Fuzhou Dartong, a jointly-controlled entity of the Company, is owned as to 51% by Citychamp and 49% by the Company with the voting power equally shared between the two shareholders. Shenzhen Guanyang, an indirect associate of the Company, is owned as to 70% by Suzhou Citychamp and 30% by Seti Trading, a wholly-owned subsidiary of the Company. Jiangsu Dartong, an associate of the Company, is owned as to 42.20%, 32.22% and 25.58% by Citychamp, Qingjian and the Company respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Qingjiang and its ultimate beneficial owners are third parties independent of and not connected with the Company or its connected persons.

Save as Ms. Sit and Ms. Lu, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Citychamp and its other ultimate beneficial owners are third parties independent of and not connected with the Company or its connected persons.

INFORMATION OF THE GROUP

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

GENERAL

The Subscription constitutes a discloseable transaction for the Company and is subject to disclosure requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

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| “associates” | has the meaning ascribed thereto in the Listing Rules |
| “Board” | board of the Directors |
| “Citychamp” | 冠城大通股份有限公司 (Citychamp Dartong Company Limited), the shares of which are listed on the Shanghai Stock Exchange in the PRC |
| “Citychamp Group” | Citychamp and its subsidiaries |
| “Citychamp Rights Share(s)” | new Citychamp Share(s) to be allotted and issued under the Rights Issue |
| “Citychamp Share(s)” | the ordinary share(s) of RMB1.00 (equivalent to approximately HK\$1.14) each in the share capital of Citychamp |
| “Citychamp Shareholder(s)” | holder(s) of the Citychamp Shares |
| “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 |
| “CSRC” | China Securities Regulatory Commission |

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| “Director(s)” | the director(s) of the Company |
| “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 Mr. Lu respectively |
| “Fuzhou Dartong” | 福州大通機電有限公司 (Fuzhou Dartong M&E Co., Ltd.), a sino-foreign equity joint venture established in the PRC and is owned as to 51% by Citychamp and 49% by the Company with the voting power equally share between the two shareholders |
| “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 |
| “Jiangsu Dartong” | 江蘇大通機電有限公司 (Jiangsu Dartong M&E Co. Ltd.), a sino-foreign equity joint venture established in the PRC and is owned as to 42.20%, 32.22% and 25.58% by Citychamp, Qingjian and the Company respectively |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Mr. Hon” | Mr. Hon Kwok Lung, an executive Director |
| “Ms. Lu” | Ms. Lu Xiaojun, a shareholder of Fujian Fengrong |
| “Ms. Sit” | Ms. Sit Lai Hei, a shareholder of Fujian Fengrong and a non-executive Director |
| “PRC” | the People’s Republic of China |
| “Qingjiang” | 江蘇清江電機股份有限公司 (Jiangsu Qingjiang Electrical Holdings Company Limited), a company established in the PRC |
| “Record Date” | the record date to determine entitlements under the Rights Issue |
| “Rights Issue” | the proposed issue of three Citychamp Rights Shares for every ten Citychamp Shares |
| “RMB” | Renminbi, the lawful currency of the PRC, and the exchange rate for RMB into HK\$ for the purpose of this announcement is RMB1.00=HK\$1.14 |

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| “Seti Trading” | 深圳市森帝貿易發展有限公司 (Shenzhen Seti Trading Development Company Limited), a company established in the PRC and a wholly-owned subsidiary of the Company |
| “Shenzhen Guanyang” | 深圳冠洋房地產有限公司 (Shenzhen Guanyang Property Development Company Limited), a company established in the PRC |
| “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 |
| “Subscription” | the proposed subscription of the rights entitlement in full by Starlex under the Rights Issue at a total consideration of not more than RMB236,516,373 (equivalent to approximately HK\$269.63 million) |
| “Suzhou Citychamp” | 蘇州冠城宏業房地產有限公司 (Suzhou Citychamp Hongye Property Development Company Limited), a company established in the PRC with limited liability and a wholly-owned subsidiary of Citychamp |
| “Subscription Price” | the subscription price per Citychamp Rights Share payable by the Citychamp Shareholders |
| “%” | per cent |

By order of the Board
Hon Kwok Lung
Chairman

Hong Kong, 16 October 2009

As at the date of this announcement, the Board comprises Mr. Hon Kwok Lung, Mr. Shang Jianguang, Mr. Shi Tao and Mr. Lam Toi Man as the executive Directors, Ms. Sit Lai Hei as the non-executive Director, and Mr. Fung Tze Wa, Dr. Kwong Chun Wai Michael and Mr. Li Qiang as the independent non-executive Directors.