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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 28 June 2010, Seti Trading, a wholly-owned subsidiary of the Company, agreed to sell and the Purchaser agreed to acquire the 30% equity interest of Shenzhen Guanyang at a consideration of RMB186,000,000 (equivalent to HK\$213,900,000) and the Purchaser agreed to repay the shareholder's loan of RMB240,000,000 (equivalent to HK\$276,000,000) to Seti Trading if Shenzhen Guanyang fails to do so. The Sale Interest represents Seti Trading's entire shareholding interest in Shenzhen Guanyang.

The Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

THE AGREEMENT

Date

28 June 2010

Parties

Vendor: Seti Trading

Purchaser: Shenzhen Xinzhi Hengtong Trading Company Limited (深圳市信智亨通商貿有限公司), a company established in the PRC with limited liability

The Purchaser is an investment holding company ultimately beneficially wholly-owned by Mr. Gao Yi Jian. To the best of knowledge, information and belief of the Directors and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Subject matter

Pursuant to the Agreement, Seti Trading, a wholly-owned subsidiary of the Company, agreed to sell and the Purchaser agreed to acquire the 30% equity interest of Shenzhen Guanyang at a consideration of RMB186,000,000 (equivalent to HK\$213,900,000) and the Purchaser agreed to repay the shareholder's loan of RMB240,000,000 (equivalent to HK\$276,000,000) to Seti Trading if Shenzhen Guanyang fails to do so.

The Sale Interest represents Seti Trading's entire shareholding interest in Shenzhen Guanyang.

Consideration

The aggregate consideration payable to Seti Trading under the Agreement for the Sale Interest and the Shareholders' Loan is RMB426,000,000 (equivalent to HK\$489,900,000). The payment terms of the consideration are as follows:

- (i) RMB10,000,000 (equivalent to HK\$11,500,000), being a deposit payable to Seti Trading upon signing of the Agreement and also represents the partial payment of the consideration for the Sale Interest; and
- (ii) the remaining balance of the consideration for the Sale Interest of RMB176,000,000 (equivalent to HK\$202,400,000) and the repayment of the Shareholders' Loan of RMB240,000,000 (equivalent to HK\$276,000,000) shall be paid to Seti Trading within seven business days after the registration of the change in the shareholding interest of Shenzhen Guanyang.

The aggregate consideration was arrived at after arm's length negotiations between Seti Trading and the Purchaser taking into consideration of (i) the unaudited net asset value attributable to the 30% interest of Shenzhen Guanyang of approximately RMB29.75 million (equivalent to approximately HK\$34.21 million) as at 31 May 2010, being the date to which the latest management accounts of Shenzhen Guanyang were made up; (ii) the amount of the shareholder's loan of RMB240,000,000 (equivalent to HK\$276,000,000) as at 31 May 2010; and (iii) other competing offers for the Sale Interest.

INFORMATION OF SHENZHEN GUANYANG

Overview

Shenzhen Guanyang was established in the PRC on 5 June 2009 and is currently owned as to 70% by Citychamp and 30% by Seti Trading. Shenzhen Guanyang has not carried on any business or operation save for the holding of the Land since its incorporation.

The Land is located at 93 Yueliangwan Main Road, Nanshan District, Shenzhen, Guangdong Province, PRC (深圳市南山區月亮灣大道93號) with a total area of 49,581.66 sq. m.. The Land is planned to be developed into a residential, commercial, office and hotel complex with a total gross floor area of 205,693 sq. m..

Financial information

For the period from 5 June 2009, being the date of incorporation, to 31 December 2009, the audited loss before and after taxation attributable to the 30% interest of Shenzhen Guanyang owned by Seti Trading were approximately RMB2,467 (equivalent to approximately HK\$2,837) and approximately RMB5,332 (equivalent to approximately HK\$6,132) respectively based on PRC accounting standards.

As at 31 May 2010, Seti Trading's 30% share of the net asset value of Shenzhen Guanyang was approximately RMB29.75 million (equivalent to approximately HK\$34.21 million).

FINANCIAL EFFECT OF THE DISPOSAL

The Company is expected to recognise an unaudited gain on disposal of approximately HK\$156.25 million. It is intended that the proceeds from the Disposal will be applied as general working capital of the Group and also for expansion of its watch business.

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

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

In light of the recent policies on the property sector implemented by the PRC government and the expected gain to be realised by the Group as a result of the Disposal as discussed above, the Directors consider that the Disposal represents an opportunity for the Group to realise its investment in Shenzhen Guanyang at an attractive return and to use the proceeds from the Disposal for the development of its watch business. The proceeds from the Disposal will enhance the financial position of the Group.

In light of the foregoing, the Directors (including the independent non-executive Directors) consider that the Disposal is in the interests of the Company and the Shareholders 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 constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. There is no prior transaction which is required to be aggregated with the Agreement for the purpose of Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Agreement”	the agreement dated 28 June 2010 entered into between Seti Trading and the Purchaser in respect of the Disposal
“Board”	the board of Directors
“Citychamp”	Citychamp Dartong Company Limited (冠城大通股份有限公司), a company established in the PRC and the shares of which are listed on the Shanghai Stock Exchange in the PRC
“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
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Sale Interest and the Shareholder’s Loan pursuant to the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	the land parcel located at 93 Yueliangwan Main Road, Nanshan District, Shenzhen, Guangdong Province, PRC (深圳市南山區月亮灣大道93號) with a total area of 49,581.66 sq. m.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

“Purchaser”	Shenzhen Xinzhi Hengtong Trading Company Limited (深圳市信智亨通商貿有限公司), a company established in the PRC with limited liability
“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\$1.15
“Sale Interest”	30% interest of Shenzhen Guanyang beneficially owned by Seti Trading
“Seti Trading”	Shenzhen Seti Trading Development Company Limited (深圳市森帝貿易發展有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loan”	the shareholder’s loan of RMB240,000,000 (equivalent to HK\$276,000,000) as at 31 May 2010 owed by Shenzhen Guanyang to Seti Trading
“Shenzhen Guanyang”	Shenzhen Guanyang Property Development Company Limited (深圳冠洋房地產有限公司), a company established in the PRC with limited liability
“sq. m.”	square metre(s)
“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, 29 June 2010

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.