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If you have sold or transferred all your shares in China Haidian Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licenced securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).



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 AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to China Haidian Holdings Limited



**Independent Financial Adviser to the Independent Board Committee and
Independent Shareholders of China Haidian Holdings Limited**

ALTUS CAPITAL LIMITED

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 13 to 14 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 30 of this circular.

A notice convening the EGM to be held at Unit 1902-04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong on Tuesday, 11 June 2013 at 11:00 a.m. is set out on pages 35 to 36 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish.

24 May 2013

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DEFINITIONS

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

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|-------------------------|--|
| “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 less than 55,000,000 and not more than 58,000,000 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 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 |
| “Completion” | completion of the Share Disposal Agreement |
| “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 transactions contemplated under the Share Disposal Agreement |

DEFINITIONS

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|---------------------------------|---|
| “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 Financial Adviser” | Altus Capital Limited, a licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and 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 |
| “Latest Practicable Date” | 22 May 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Minimum Selling Price” | the minimum selling price of RMB6.0 (equivalent to approximately HK\$7.5) 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 |

DEFINITIONS

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|----------------------------|--|
| “Permissible Price Range” | as defined in the sub-section headed “Consideration” under the section headed “The Share Disposal Agreement” of the letter from the Board contained in this circular |
| “PRC” | the People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC, and the exchange rate for RMB into HK\$ for the purpose of this circular is HK\$1 = RMB0.8 |
| “SFO” | the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) |
| “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 22 April 2013 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. |

LETTER FROM THE BOARD



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)

Executive Directors:

Hon Kwok Lung (*Chairman*)
Shang Jianguang (*Chief Executive Officer*)
Shi Tao
Lam Toi Man
Bi Bo
Sit Lai Hei

Independent non-executive Directors:

Fung Tze Wa
Kwong Chun Wai, Michael
Li Qiang

Registered office:

P.O. Box 309
Ugland House
South Church Street
Grand Cayman
Cayman Islands

Principal place of business:

Units 1902-04, Level 19
International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

24 May 2013

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the announcement of the Company dated 22 April 2013 in respect of the Share Disposal.

On 22 April 2013, 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 less than 55,000,000 and not more than 58,000,000 Citychamp Shares through the Shanghai Stock Exchange block trading system after normal trading hours.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among others, (i) details of the Share Disposal; (ii) a letter from the Independent Board Committee; (iii) a letter of advice from the 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.

THE SHARE DISPOSAL AGREEMENT

Date

22 April 2013

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 the Share Disposal Agreement and the Latest Practicable Date, Fujian Fengrong owned 297,104,078 Citychamp Shares, representing approximately 25.25% 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 63.03% of the Company as at the Latest Practicable Date. 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 less than 55,000,000 and not more than 58,000,000 Citychamp Shares through the Shanghai Stock Exchange block trading system after the normal trading hours.

Pursuant to the requirements under 《上市公司解除限售存量股份轉讓指導意見》(證監會公告 [2008] 15號) (Guidance Opinion on Transfer of Stock Shares with Terminated Sales Limit of Listed Companies (CSRC Announcement [2008] No.15)) issued by the China Securities Regulatory Commission, a shareholder intends to dispose of stock shares with terminated sales limit publicly in the succeeding month that exceeding 1% of the total number of issued shares of the relevant listed company should transfer their shares through the block trading systems of stock exchanges. Given that (i) the Citychamp Shares held by Starlex are stock shares with terminated sales limit; and (ii) the number of Citychamp Sale Shares represents approximately 4.67% to 4.93% of the total number of issued Citychamp Shares, the Share Disposal is required to be proceeded through the Shanghai Stock Exchange block trading system.

LETTER FROM THE BOARD

Pursuant to the relevant rules of the Shanghai Stock Exchange, trading of A shares listed on the Shanghai Stock Exchange can be conducted through the Shanghai Stock Exchange block trading system provided that: (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; (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.

Pursuant to the requirements under 《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), the controlling shareholder and beneficial controller of a listed company shall not increase the shareholding in the relevant listed company under the following circumstances: (i) 10 days prior to the release of the periodic financial reports of the listed company; (ii) 10 days prior to the issue of the financial results bulletin and preliminary financial results of the listed company; (iii) if the controlling shareholder or beneficial controller conducts a trade through a stock exchange, within the time limit required for the reporting and announcement to be made in respect of the shareholding change and two days after the reporting and announcement having been made; and (iv) upon an event which is expected to have a significant impact on the price of the shares of the listed company has occurred or in the course of deciding on such event and up to two trading days after such event having been disclosed in accordance with the relevant law and regulation.

Consideration

Pursuant to the dealing restrictions of the Shanghai Stock Exchange on block trades, the selling price of the Citychamp Sale Shares shall be determined within the range of plus or minus 10% of the closing price of the Citychamp Shares on the last trading day prior to the date of transaction (“**Permissible Price Range**”). 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 the avoidance of doubt, in the event that the higher of the closing price of the Citychamp Shares on a trading day and the Minimum Selling Price does not fall within the Permissible Price Range, the Share Disposal will not proceed on that date. Based on the Minimum Selling Price, the Consideration will range between approximately RMB330.0 million (equivalent to approximately HK\$412.5 million) and approximately RMB348.0 million (equivalent to approximately HK\$435.0 million). It is intended that 55,000,000 Citychamp Shares will be disposed of if the selling price per Citychamp Sale Share is at the Minimum Selling Price and 58,000,000 Citychamp Shares will be disposed of if the selling price per Citychamp Sale Share is above the Minimum Selling Price on the transaction date.

LETTER FROM THE BOARD

The Minimum Selling Price was arrived at after arm's length negotiations between Starlex and Fujian Fengrong taking into consideration the closing prices of the Citychamp Shares over the last 360 trading days prior to and including 22 April 2013, being the last trading day of the Citychamp Shares prior to the date of the Share Disposal Agreement, ranging between RMB3.694 and RMB7.26 per Citychamp Share and the possible change in market condition. The Minimum Selling Price represents:

- (i) a discount of approximately 11.2% to the closing price of RMB6.76 (equivalent to approximately HK\$8.45) per Citychamp Share on 22 April 2013, being the last trading day of the Citychamp Shares prior to the date of the Share Disposal Agreement;
- (ii) a discount of approximately 10.6% to the average closing price of approximately RMB6.71 (equivalent to approximately HK\$8.39) per Citychamp Share for the five trading days up to and including 22 April 2013;
- (iii) a discount of approximately 6.0% to the average closing price of approximately RMB6.38 (equivalent to approximately HK\$7.98) per Citychamp Share for the 30 trading days up to and including 22 April 2013;
- (iv) a premium of approximately 6.8% over the average closing price of approximately RMB5.62 (equivalent to approximately HK\$7.03) per Citychamp Share for the 180 trading days up to and including 22 April 2013;
- (v) a premium of approximately 12.8% over the average closing price of approximately RMB5.32 (equivalent to approximately HK\$6.65) per Citychamp Share for the 360 trading days up to and including 22 April 2013;
- (vi) a discount of approximately 23.2% to the closing price of RMB7.81 (equivalent to approximately HK\$9.76) per Citychamp Share as at the Latest Practicable Date;
- (vii) a premium of approximately 65.7% over the unaudited net asset value attributable to the owners of Citychamp of approximately RMB3.62 (equivalent to approximately HK\$4.53) per Citychamp Share as at 31 March 2013; and
- (viii) a premium of approximately 91.1% over the average historical cost of the Citychamp Shares held by Starlex of approximately RMB3.14 (equivalent to approximately HK\$3.93) per Citychamp Sale Share.

The Minimum Selling Price provides flexibility for the Company to accommodate change in market condition and enables the Company to dispose of the Citychamp Sale Shares at the lowest acceptable price. The Directors (including the independent non-executive Directors) consider that terms of the Share Disposal Agreement are fair and reasonable.

LETTER FROM THE BOARD

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; and (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.

The Share Disposal shall take place on the first trading day after: (i) the conditions above have been fulfilled; (ii) Fujian Fengrong complies with the requirements under 《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) as stated in the sub-section headed “Subject matter” above; and (iii) the acknowledgement of the Shanghai Stock Exchange to proceed the transaction (as discussed in the sub-section headed “Subject matter” above) is obtained and the transaction is so proceeded by 3:30 p.m.. In any event, the Share Disposal shall take place within three months after the obtaining of the Independent Shareholders’ approval of Share Disposal Agreement and the transaction contemplated thereunder at the EGM, including the date of the EGM. Completion shall take place and Starlex will receive the Consideration in full 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 in cash.

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 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, television 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\$807.6 million and approximately HK\$1,409.1 million as at 31 December 2011 and 31 December 2012 respectively. The Group received dividend income of approximately HK\$6.6 million and approximately HK\$17.2 million from Citychamp for each of the two years ended 31 December 2012 respectively. The Group also received 65,245,897 Citychamp Shares during the year ended 31 December 2012 pursuant to a bonus issue of Citychamp.

LETTER FROM THE BOARD

The following table sets out the consolidated financial information of the Citychamp Group as extracted from Citychamp's annual report for the year ended 31 December 2012 and quarterly report for the three months ended 31 March 2013.

| | For the year ended 31 December | | For the three months ended 31 March |
|--|---|----------------|--|
| | 2011 | 2012 | 2013 |
| | (Audited) | (Audited) | (Unaudited) |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue | 9,320,059 | 6,256,272 | 1,208,958 |
| Net profit before taxation | 1,146,110 | 1,143,878 | 743,631 |
| Net profit after taxation attributable to the owners of Citychamp | 795,815 | 830,837 | 680,132 |

As at 31 December 2012, the audited net asset value attributable to the owners of Citychamp was approximately RMB3,578.2 million. As at 31 March 2013, the unaudited net asset value attributable to the owners of Citychamp was approximately RMB4,259.6 million.

FINANCIAL EFFECT OF THE SHARE DISPOSAL

For illustration purposes only, based on (i) the attributable proportion of the Citychamp Sale Shares to the total carrying value of the Group's investment in Citychamp of approximately HK\$1,409.1 million and total corresponding investment revaluation reserve of approximately HK\$725.4 million as at 31 December 2012; (ii) the range of the Consideration between approximately RMB330.0 million (equivalent to approximately HK\$412.5 million) and approximately RMB348.0 million (equivalent to approximately HK\$435.0 million); and (iii) the range of related withholding tax and transaction costs between approximately HK\$15.6 million and approximately HK\$16.4 million, the gain from the Share Disposal would range between approximately HK\$180.8 million and approximately HK\$190.6 million. The actual gain on the Share Disposal will be calculated on the date of Completion.

As at the Latest Practicable Date, Starlex owned 173,989,058 Citychamp Shares, representing approximately 14.78% of the issued share capital of Citychamp. Upon Completion, Starlex's interest in Citychamp will range between approximately 9.86% and approximately 10.11%. The remaining Citychamp Shares to be held by Starlex will continue to be recorded as available-for-sale financial assets in the Group's accounts.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE SHARE DISPOSAL

The Group is principally engaged in the manufacture and distribution of watches and timepieces, property investment, and the distribution of yachts.

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. Based on the Minimum Selling Price, the estimated net proceeds from the Share Disposal range between approximately HK\$396.9 million and approximately HK\$418.6 million. It is intended that the net proceeds from the Share Disposal will be used as to approximately HK\$390 million for financing any strategic acquisitions or investments in watches and time pieces business (which may or may not include the acquisition of Montres Corum Sàrl (details of which are set out in the announcement of the Company dated 23 April 2013)) and the remaining balance for general working capital for the Group. This is in line with the Group's strategy as stated in the 2012 annual report that the Group would keep on identifying and evaluating opportunities and undertake mergers, acquisitions and alliances deals that are in the interests of the Shareholders. The Group is also considering to finance the funding requirements for the acquisition of Montres Corum Sàrl by internal resources and/or debt financing. Save for Montres Corum Sàrl, the Group has not entered into any definitive agreement in respect of other acquisitions or investments as at the Latest Practicable Date.

Fujian Fengrong and Starlex are the largest and second largest shareholder of Citychamp respectively. Pursuant to the annual report of Citychamp for the year ended 31 December 2012, 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 bad news by the shareholders and potential investors of Citychamp, which might adversely affect the prices of the Citychamp Shares and therefore affect the value of the remaining Citychamp Shares held by Starlex after Completion.

In light of the foregoing, the Directors (including the independent non-executive Directors) consider that the Share Disposal is in the interests of the Company and the Shareholders as a whole.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Notwithstanding that the global economic and political uncertainties persisted in 2012, the Group achieved growth in its revenue and profit for the year ended 31 December 2012 as compared to those for the year ended 31 December 2011. Despite that the global economic and political uncertainties are expected to continue to raise challenges and cast shadows over the next year, the Group believes that the PRC is more likely to weather any further deterioration better than the western countries and is likely to continue acting as a major global growth engine. Moreover, the Group's strong brands with relatively long history, product development expertise, distribution control, and relatively large operation size are expected to enable the Group to enjoy the consumption boom in the PRC driven by an expanding middle class. The Group will therefore continue to develop proprietary brands and non-proprietary brands, and expand its distribution network in different provinces in the PRC to capture the untapped market.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

The Share Disposal 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. Ms. Sit and Mr. Lu are daughters-in-law of Mr. Hon Kwok Lung, an executive Director and the controlling Shareholder. As such, 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. Mr. Hon Kwok Lung and Ms. Sit, the executive Directors, have abstained from voting on the board resolution approving the Share Disposal.

INDEPENDENT BOARD COMMITTEE

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.

INDEPENDENT FINANCIAL ADVISER

Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Share Disposal Agreement.

EGM

A notice convening the EGM to be held at Unit 1902-04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, on Tuesday, 11 June 2013 at 11:00 a.m. is set out on pages 35 to 36 to this circular. An ordinary resolution will be proposed at the EGM and, if thought fit, passed by the Independent Shareholders by way of poll to approve 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. As at the Latest Practicable Date, Fujian Fengrong, its ultimate beneficial owners and its associates as well as Mr. Hon Kwok Lung and his associate controlled 2,723,577,515 Shares in aggregate, representing approximately 63.03% of the issued share capital of the Company.

Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Share Disposal Agreement are fair and reasonable, and the Share Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM in respect of the Share Disposal Agreement.

You are advised to read carefully the letters from the Independent Board Committee and the Independent Financial Adviser contained in this circular before deciding whether or not to vote in favour of the resolution to be proposed at the EGM to approve the Share Disposal Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
By order of the Board
Hon Kwok Lung
Chairman



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)

24 May 2013

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the circular of the Company to the Shareholders dated 24 May 2013 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

The Independent Board Committee, comprising the independent non-executive Directors, has been formed by the Board for the purpose of advising the Independent Shareholders in connection with the terms of the Share Disposal Agreement, details of which are set out in the letter from the Board in the Circular. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of the advice from the Independent Financial Adviser together with the principal factors and reasons taken into consideration in arriving at such advice are set out on pages 15 to 30 of the Circular.

Having considered the terms of the Share Disposal Agreement, the principal factors and reasons considered by the Independent Financial Adviser and the advice of the Independent Financial Adviser, we consider that the terms of the Share Disposal Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in respect of the Share Disposal Agreement.

Fung Tze Wa

Yours faithfully,
Independent Board Committee
Kwong Chun Wai, Michael
Independent non-executive Directors

Li Qiang

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Disposal Agreement, which has been prepared for the purpose of incorporation in this circular.

ALTUS CAPITAL LIMITED

21 Wing Wo Street
Central, Hong Kong

24 May 2013

*To the Independent Board Committee and
the Independent Shareholders*

China Haidian Holdings Limited
Units 1902-04, Level 19
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Disposal Agreement. Details of the Share Disposal Agreement are set out in the "Letter from the Board" contained in the circular of the Company dated 24 May 2013 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meaning as those defined in the Circular unless the context requires otherwise.

On 22 April 2013, 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 less than 55,000,000 and not more than 58,000,000 Citychamp Shares through the Shanghai Stock Exchange block trading system after normal trading hours. 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. Based on the Minimum Selling Price, the Consideration will range between approximately RMB330.0 million (equivalent to approximately HK\$412.5 million) and approximately RMB348.0 million (equivalent to approximately HK\$435.0 million).

Starlex currently owns 173,989,058 Citychamp Shares, representing approximately 14.78% of the issued share capital of Citychamp. Upon Completion, Starlex's interest in Citychamp will range between approximately 9.86% and approximately 10.11%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Share Disposal will be more than 5% but below 25%, the Share Disposal 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. Ms. Sit and Ms. Lu are daughters-in-law of Mr. Hon Kwok Lung, an executive Director and the controlling Shareholder. As such, Fujian Fengrong is a connected person of the Company. Accordingly, 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. Mr. Hon Kwok Lung and Ms. Sit, the executive Directors, have abstained from voting on the board resolution approving the Share Disposal.

As at the Latest Practicable Date, Mr. Hon Kwok Lung is the ultimate controlling Shareholder, which together with his wife collectively controlled approximately 63.03% of the issued share capital of the Company. 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 in relation to the resolution approving the Share Disposal Agreement at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael and Mr. Li Qiang, has been established to consider the terms of the Share Disposal Agreement, and to give advice and recommendation to the Independent Shareholders as to whether the terms of the Share Disposal Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and whether the Share Disposal as contemplated under the Share Disposal Agreement is in the interests of the Company and the Shareholders as a whole.

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Share Disposal Agreement is in the interests of Company and the Shareholders as a whole; (ii) whether the terms of the Share Disposal Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the resolution relating thereto to be proposed at the EGM.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group

(a) *Principal business*

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

Starlex is a wholly-owned subsidiary of the Company. It is an investment holding company, and the sole assets of which is its interest in the Citychamp Shares. According to the Company, it began to hold the Citychamp Shares following the completion of its disposal of two subsidiaries, namely Beijing Jing Guan Property Development Co., Limited and Beijing Xin Yang Property Development Co., Limited to Citychamp on 22 May 2007 for a consideration of RMB359,964,000. In return, Citychamp allotted and issued 72,720,000 Citychamp Shares at a price of RMB4.95 per Citychamp Share to the Company as consideration shares. There was no subsequent sale or purchase of any Citychamp Shares and all increase in shareholdings (i.e. 101,269,058 Citychamp Shares) relate to bonus issue of Citychamp Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) *Historical financial information*

Set out below is a summary of the audited financial information of the Group for each of the two years ended 31 December 2011 and 2012 as extracted from the Group's 2012 annual report (the "2012 Annual Report"). For more details, please refer to the 2012 Annual Report posted on the Stock Exchange website (<http://www.hkexnews.hk>).

| | For the year ended | |
|---|---------------------------|-----------------|
| | 31 December | |
| | 2011 | 2012 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue of the continuing operations | 1,465,276 | 2,240,304 |
| Dividend income from available-for-sale financial assets | 6,551 | 17,169 |
| Net profit attributable to owners of the Company | 255,874 | 270,425 |
| Other comprehensive income – changes in fair value of available-for-sale financial assets | (305,401) | 601,480 |
| | As at 31 December | |
| | 2011 | 2012 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Available-for-sale financial assets | 807,696 | 1,409,176 |
| Cash and cash equivalents | 351,276 | 228,624 |
| Total assets | 3,678,225 | 5,261,137 |
| Total liabilities | (543,286) | (1,305,018) |

As disclosed in the 2012 Annual Report, for the year ended 31 December 2012, the Group's revenue of the continuing operations amounted to approximately HK\$2,240.3 million, representing an increase of approximately 52.9% as compared to approximately HK\$1,465.3 million recorded in 2011. Such increase was mainly due to the expanded distribution networks of the Group's watches and timepieces distribution business (including both proprietary and non-proprietary brands). In addition, the Group's own production of watches and timepieces has also extended its product lines, thus widening its customer base and has increased its revenue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Net profit attributable to owners of the Company for the year ended 31 December 2012 amounted to approximately HK\$270.4 million representing an increase of approximately 5.7% as compared to an amount of approximately HK\$255.9 million recorded in 2011. The percentage increase in net profit was lower than the percentage increase in revenue and gross profit due to the substantial increase in selling and distribution expenses and administrative expenses arising from the expanded distribution network and extended production lines as mentioned above.

The Group received dividend income of approximately HK\$6.6 million and approximately HK\$17.2 million from Citychamp for each of the two years ended 31 December 2011 and 2012 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. For the year ended 31 December 2012, the Group recorded an increase in fair value of the Citychamp Shares of approximately HK\$601.5 million, whilst in 2011 there was a decrease in value of approximately HK\$305.4 million.

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\$807.6 million and approximately HK\$1,409.1 million as at 31 December 2011 and 31 December 2012 respectively.

As at 31 December 2012, the Group had non-pledged cash and bank balances of approximately HK\$228.6 million (2011: approximately HK\$351.3 million). Based on the bank borrowings of approximately HK\$478.5 million (2011: approximately HK\$86.2 million) and the shareholders' equity of approximately HK\$3,789.0 million (2011: approximately HK\$3,058.4 million), the Group's gearing ratio (being borrowings divided by shareholders' equity) was approximately 12.6% (2011: approximately 2.8%).

(c) *Business outlook*

As described in the "Letter from the Board" of the Circular and the 2012 Annual Report, the Directors believe that the unclear economic and geopolitical backdrop will continue to raise challenges and cast shadows over the next year. However, it is expected that the Government of the PRC will place "maintaining economic growth" as its priority and will continue to launch more stimulus measures to revive domestic growth with an objective to boost domestic consumption and stabilise external demand. The Group believes that the PRC is more likely to weather any further deterioration better than the western countries and is likely to continue acting as a major global growth engine.

With the Group's strong brands with relatively long history, product development expertise, distribution control, and relatively large operation size, the Group is expected to enjoy the consumption boom in the PRC driven by an expanding middle class. The Directors therefore believe these positive factors serve to reinforce the Group's leading market position on distribution of watches and timepieces in the PRC and will continue its strategy to expand distribution network in different provinces to capture the untapped market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In line with the Group's strategy, on 23 April 2013, the Company and certain vendors entered into a share purchase agreement relating to the acquisition of Montres Corum Sàrl, which is principally engaged in the development, manufacture and sale of Swiss luxury timepieces under the brand name of "Corum". Details are set out in an announcement issued by the Company dated 23 April 2013.

Going forward, as stated in the 2012 Annual Report, the Group would keep on identifying and evaluating opportunities and undertake mergers, acquisitions and alliances deals that are in the interests of the Shareholders.

2. Background information of the Citychamp Group

(a) *Principal business*

Citychamp is a company listed on the Shanghai Stock Exchange (Stock code: 600067).

As at the Latest Practicable Date, there were 1,176,804,059 Citychamp Shares in issue and the market capitalisation was approximately RMB9,190.8 million (equivalent to approximately HK\$11,488.5 million), of which, Fujian Fengrong and Starlex owned 297,104,078 Citychamp Shares and 173,989,058 Citychamp Shares, representing approximately 25.25% and 14.78% of the issued share capital of Citychamp respectively. Fujian Fengrong and Starlex are the largest and second largest shareholder of Citychamp respectively.

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 enameled 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. Details of Citychamp are posted on its website (<http://www.gcdt.net>).

(b) *Historical financial information*

Set out below is a summary of the financial information of the Citychamp Group for each of the two years ended 31 December 2011 and 2012 and the three months ended 31 March 2013 as extracted from the Citychamp Group's 2012 annual report (the "Citychamp 2012 Annual Report") and the 2013 first quarterly report (the "Citychamp 2013 1Q Report"). For more details, please refer to the Citychamp 2012 Annual Report and the Citychamp 2013 1Q Report posted on Shanghai Stock Exchange's website (<http://www.sse.com.cn>).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

| | For the year ended 31 December | | For the three months ended 31 March |
|--|---|----------------|--|
| | 2011 | 2012 | 2013 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Audited) | (Audited) | (Unaudited) |
| Revenue | 9,320,059 | 6,256,272 | 1,208,958 |
| Net profit attributable to owners of Citychamp | 795,815 | 830,837 | 680,132 |

| | As at 31 December | | As at 31 March |
|-----------------|--------------------------|----------------|---------------------------|
| | 2011 | 2012 | 2013 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Audited) | (Audited) | (Unaudited) |
| Net asset value | 3,181,685 | 3,578,172 | 4,259,630 |

As disclosed in the Citychamp 2012 Annual Report, for the year ended 31 December 2012, the Citychamp Group's revenue amounted to approximately RMB6,256.3 million, representing a decrease of approximately 32.9% as compared to an amount of approximately RMB9,320.1 million recorded in 2011. Such decrease was mainly due to (i) the timing of the settlement interval and handover of certain property development projects, which in turn, result in the amount of sales/saleable areas being recognized in 2012 being less than 2011; and (ii) the reducing demand for enamelled copper wires as a result of market competition.

Net profit attributable to owners of Citychamp for the year ended 31 December 2012 amounted to approximately RMB830.8 million representing an increase of approximately 4.4% as compared to an amount of approximately RMB795.8 million recorded in 2011. Such increase in 2012 was mainly attributable to the positive contribution by the property development arm of Citychamp and the enamelled copper wires production arm also returned to profitability in 2012 after repositioning effects imposed by the Group on its products in response to the declining demand.

As at 31 December 2012, the Citychamp Group had cash and cash equivalent of approximately RMB1,788.1 million (2011: approximately RMB654.0 million). Based on the bank borrowings of approximately RMB1,999.7 million (2011: approximately RMB1,694.2 million) and the shareholders' equity of approximately RMB5,031.1 million (2011: approximately RMB3,535.4 million), the Citychamp Group's gearing ratio (being borrowings divided by shareholders' equity) was approximately 39.7% (2011: approximately 47.9%).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2011 and 2012, the audited net asset value of the Citychamp Group was approximately RMB3,181.7 million and RMB3,578.2 million respectively. Based on 1,176,804,059 Citychamp Shares in issue, the net asset value per Citychamp Share as at the respective financial year end dates were approximately RMB2.7 and RMB3.0 respectively.

As disclosed in the Citychamp 2013 1Q Report, for the three months ended 31 March 2013, the Citychamp Group's revenue amounted to approximately RMB1,209.0 million, representing a decrease of 36.76% from the corresponding period of previous year of approximately RMB1,911.8 million, due to the total amount of saleable area attributable to the period being lower than that of the corresponding period of the previous year. Net profit attributable to owners of Citychamp amounted to approximately RMB680.1 million.

As at 31 March 2013, the unaudited net asset value of the Citychamp Group was approximately RMB4,259.6 million. Based on 1,176,804,059 Citychamp Shares in issue, the net asset value per Citychamp Share as at 31 March 2013 was approximately RMB3.6. Cash and cash equivalent for the period amounted to approximately RMB2,734.1 million, representing an increase of approximately 607.04% from that of the corresponding period of previous year of approximately RMB386.7 million as a result of the settlement of a current account by a previous subsidiary and the additional amount of loans draw down by a subsidiary.

(c) Business outlook

As described in the 2012 Citychamp Annual Report, despite the tightened policies on property sales in the PRC, in particular, in major cities where Citychamp operates; due to the continued urbanisation of rural areas in the PRC and the continual rise in the disposable income of the general public, the demand for housing is expected to remain strong. Hence, Citychamp expects the PRC property market in general will continue to develop steadily in 2013. However, Citychamp expects that the enamelled copper wires business will continue to face severe challenge from intensifying competition which would lead to increase in manufacturing cost and decline in demand from customers.

3. Reasons for and benefits of the Share Disposal

As described in the "Letter from the Board" of the Circular, the Directors believe 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.

According to the relevant securities regulatory requirements in the PRC, 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 prices of Citychamp Shares and therefore affect the value of the remaining Citychamp Shares held by Starlex after Completion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the Minimum Selling Price, the Consideration will range between approximately RMB330.0 million (equivalent to approximately HK\$412.5 million) and approximately RMB348.0 million (equivalent to approximately HK\$435.0 million). Also described in the "Letter from the Board" of the Circular, it is intended that the net proceeds from the Share Disposal will be used as to approximately HK\$390 million for financing any strategic acquisition or investments in watches and time pieces business and the remaining balance as general working capital for the Group. This is consistent with the Group's business strategy. The aforesaid net proceeds may or may not be used for the acquisition of Montres Corum Sàrl (details of which are set out in the announcement of the Company dated 23 April 2013).

The total consideration for the acquisition of Montres Corum Sàrl is approximately HK\$713.8 million. The aggregate amount of the aforesaid consideration and the refinancing of the shareholders' loans and bank loans will be settled by cash payment of not more than approximately HK\$390.1 million and the issue of not more than 450 million new Shares at the price of HK\$0.80 per share. The Group is also considering to finance the funding requirements for the acquisition of Montres Corum Sàrl by internal resources and/or debt financing. Save for Montres Corum Sàrl, the Group has not entered into any definitive agreement in respect of other acquisitions or investments as at the Latest Practicable Date. If the proceeds are not used for the acquisition, the net proceeds from the Share Disposal will be used to finance other strategic acquisitions or investments in watches and timepieces business and as general working capital of the Group.

In light of the foregoing, the Directors consider that the Share Disposal is in the interests of the Company and the Shareholders as a whole. We noted that the Directors have considered the fact that Citychamp Group had recorded profitability for the two years ended 31 December 2011 and 2012 and for the three months ended 31 March 2013; and has also considered the business outlook of Citychamp Group's property and enamelled copper wire businesses as described in paragraph 2 above. They are of the view that the Share Disposal which entails sale of its partial interest in Citychamp, provides a good opportunity for the Group to realise some of its investments in Citychamp, which it has invested since 22 May 2007, at a gain. Meanwhile, the Company's remaining holding of the Citychamp Shares allow the Group to benefit from future share price appreciation. We concur with the Directors' view above that the Share Disposal is in the interests of the Company and the Shareholders as a whole.

Despite the Share Disposal being not in the ordinary and usual course of business of the Group, having taken into account the Group's history of holding an interest in Citychamp, the historical financial performance of the Group, and the business outlook of the Group as described in paragraph 1 above, the historical financial performance of the Citychamp Group and the business outlook of the Citychamp Group as described in paragraph 2 above, and the reasons and benefits set out in this paragraph as well as the possible financial impact of the Share Disposal as described in paragraph 5 below, we are of the view that the Share Disposal is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

4. The Share Disposal Agreement

To assess its fairness and reasonableness, we have considered the following terms of the Share Disposal Agreement, namely the selling price of the Citychamp Sale Shares, the number of Citychamp Sale Shares and the payment method if the Share Disposal were to materialise.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(a) *The selling price of the Citychamp Sale Shares*

(i) The Minimum Selling Price

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 (i.e. RMB6, equivalent to approximately HK\$7.5), whichever is higher, provided that such selling price is within the Permissible Price Range (as further discussed below).

As described in the “Letter from the Board” of the Circular, the Minimum Selling Price was arrived at after arm’s length negotiations between Starlex and Fujian Fengrong taking into consideration the prevailing closing prices of the Citychamp Shares and the possible change in market condition. The Minimum Selling Price represents:

- (i) a discount of approximately 11.2% to the closing price of RMB6.76 (equivalent to approximately HK\$8.45) per Citychamp Share on 22 April 2013, being the last trading day of the Citychamp Shares on the date of the Share Disposal Agreement;
- (ii) a discount of approximately 10.6% to the average closing price of approximately RMB6.71 (equivalent to approximately HK\$8.39) per Citychamp Share for the five trading days up to and including 22 April 2013;
- (iii) a discount of approximately 23.2% to the closing price of RMB7.81 (equivalent to approximately HK\$9.76) per Citychamp Share on the Latest Practicable Date; and
- (iv) a premium of approximately 65.7% to the unaudited net asset value per Citychamp Share as at 31 March 2013 of approximately RMB3.62 (equivalent to approximately HK\$4.53).

Further details of the comparison to the historical prices of Citychamp Shares are set out in the “Letter from the Board” of the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the historical performance of the Citychamp Shares and set out in the table below the highest, the lowest and the average closing prices of the Citychamp Shares traded on the Shanghai Stock Exchange of each month/period from 23 April 2012 to 22 April 2013 (the date when the Share Disposal Agreement was entered into and the related announcement was issued) and up to the Latest Practicable Date:

| | Highest <i>RMB</i> | Lowest <i>RMB</i> | Average <i>RMB</i> |
|--|------------------------------|-----------------------------|------------------------------|
| 2012 | | | |
| April (23–30) | 5.85 | 5.61 | 5.73 |
| May | 5.90 | 5.20 | 5.61 |
| June | 6.37 | 5.57 | 5.89 |
| July | 6.11 | 5.06 | 5.55 |
| August | 5.27 | 4.44 | 4.73 |
| September | 4.89 | 4.51 | 4.72 |
| October | 5.23 | 4.80 | 4.95 |
| November | 5.38 | 4.58 | 4.95 |
| December | 6.57 | 4.85 | 5.64 |
| 2013 | | | |
| January | 7.25 | 6.42 | 6.85 |
| February | 6.88 | 6.25 | 6.56 |
| March | 6.68 | 5.84 | 6.28 |
| April (1–22) | 6.81 | 6.14 | 6.38 |
| April (23–30) | 6.91 | 6.53 | 6.71 |
| May (1–the Latest Practicable Date) | 7.81 | 6.79 | 7.11 |

Source: Shanghai Stock Exchange

As shown in the table above, the Citychamp Shares were trading (i) in the range of RMB4.44 (the lowest) to RMB7.25 (the highest) on or before 22 April 2013; (ii) the average monthly/period closing prices exceed RMB6 since January 2013, but decreased from RMB6.85 (the highest between January to April 2013) in January 2013 to RMB6.38 in April 2013; (iii) in the range of RMB6.53 (the lowest) to RMB7.81 (the highest) since the entering into the Share Disposal Agreement on 22 April 2013 to the Latest Practicable Date; and (iv) the average period closing price remain above RMB6 since the entering into the Share Disposal Agreement on 22 April 2013 to the Latest Practicable Date.

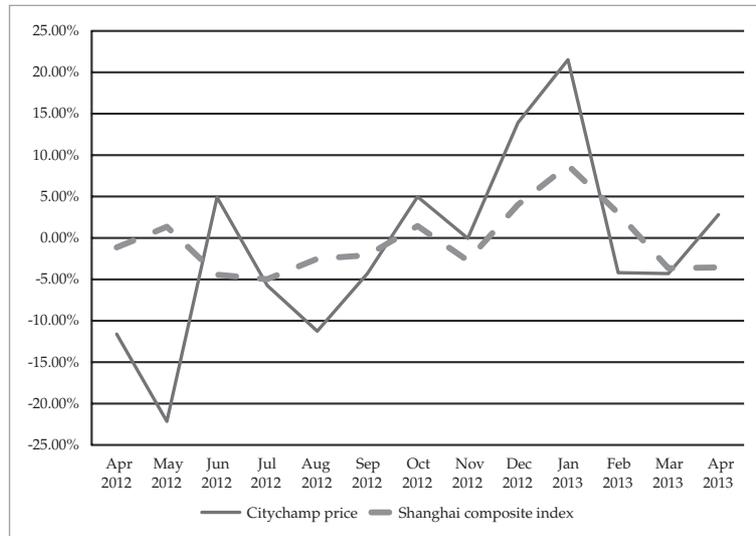
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It is noted that the Directors believe that the Minimum Selling Price provides flexibility for the Company to accommodate any change in market condition and enables the Company to dispose of the Citychamp Sale Shares at a lowest price acceptable to the Group. Taking into account the above analysis and noticing that (i) the Share Disposal will take place within 3 months after obtaining the Independent Shareholders' approval of the Share Disposal Agreement at the EGM; (ii) the lowest average closing price of Citychamp Shares since January 2013 was RMB6.28; and (iii) the average closing price of Citychamp Shares throughout the period from 23 April 2012 to 31 December 2012 was below RMB6, we concur with the Directors and are of the view that setting the Minimum Selling Price at RMB6 per Citychamp Sale Share is fair and reasonable.

(ii) Permissible Price Range

Due to the dealing restrictions of the Shanghai Stock Exchange on block trades, the selling price of the Citychamp Sale Shares shall be determined within the range of plus or minus 10% of the closing price of the Citychamp Shares on the last trading day prior to the date of transaction ("Permissible Price Range").

We have also reviewed the relative percentage change in the daily closing price of the Citychamp Shares with the percentage change in the Shanghai Composite Index from 23 April 2012 to 22 April 2013 (the date when the Share Disposal Agreement was entered into) and set out in the chart below.



Source: Shanghai Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the chart above, it is noted that the price movements of Citychamp Shares between April 2012 to April 2013 followed a similar pattern to the movements of the Shanghai Composite Index. In other words, the share prices of Citychamp Shares move along a similar trend as the performance of the Shanghai stock market in general. Hence, we are of the view that if the Disposal were to materialise, the selling price per Citychamp Sales Share shall fall within the Permissible Price Range and such price shall represent a fair market value of the Citychamp Shares accorded by the stock market in Shanghai in general, which is fair and reasonable.

Shareholders should note that, in the event that the higher of the closing price of the Citychamp Shares on the date of transaction and the Minimum Selling Price does not fall within the Permissible Price Range, the Share Disposal will not proceed.

(b) The number of Citychamp Sale Shares

As at the date of the Share Disposal Agreement and the Latest Practicable Date, Starlex owned 173,989,058 Citychamp Shares, representing approximately 14.78% of the issued share capital of Citychamp.

Pursuant to the Share Disposal Agreement, Starlex conditionally agreed to sell and Fujian Fengrong conditionally agreed to acquire not less than 55,000,000 and not more than 58,000,000 Citychamp Shares (representing approximately 31.6% to 33.3% of the entire shareholding in Citychamp held by Starlex). According to the management and as stated in the "Letter from the Board" of the Circular, it is intended that 55,000,000 Citychamp Shares will be disposed of if the selling price per Citychamp Sale Share is at the Minimum Selling Price and 58,000,000 Citychamp Shares will be disposed of if the selling price per Citychamp Share is above the Minimum Selling Price on the transaction date.

In compliance with the relevant rules and regulations of the China Securities Regulatory Commission and the Shanghai Stock Exchange, the Share Disposal will be conducted via the Shanghai Stock Exchange block trading system after normal trading hours. Please refer to the section headed "Subject matter" in the "Letter from the Board" of the Circular for further details of the Shanghai Stock Exchange block trading system.

As described in paragraph 1 above, save for the 72,720,000 Citychamp Shares which were subscribed initially by the Group in 2007, there was no subsequent sale or purchase of any Citychamp Shares by the Group and all increase in shareholdings (being 101,269,058 Citychamp Shares) are relating to bonus issue of Citychamp Shares. Hence, the Citychamp Sale Shares represent approximately 54.3% to 57.3% of the bonus shares received by Starlex.

Upon Completion, Starlex's interest in Citychamp will range between approximately 9.86% and approximately 10.11%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the trading volume of the Citychamp Shares and set out in the table below our findings during each month/period from 23 April 2012 to 22 April 2013 (the date when the Share Disposal Agreement was entered into and the related announcement was issued) and up to the Latest Practicable Date:

| | |
|---|---------------|
| Total number of Citychamp Shares in issue | 1,176,804,059 |
| Starlex's holdings | 173,989,058 |
| Fujian Fengrong's holdings | 297,104,078 |
| Total number of Citychamp Shares held by others | 705,710,923 |

| | Average daily trading volume <i>Number of Citychamp Shares</i> | Percentage of average daily trading volume to total number of Citychamp Shares in issue as at the Latest Practicable Date % | Percentage of average daily trading volume total number of Citychamp Shares in issue less the total number of Citychamp Shares held by Starlex and parties acting in concert with it (being Fujian Fengrong) as at the Latest Practicable Date % |
|-------------------------------------|---|--|---|
| 2012 | | | |
| April (23–30) | 36,049,852 | 3.063% | 5.108% |
| May | 24,374,767 | 2.071% | 3.454% |
| June | 27,366,864 | 2.326% | 3.878% |
| July | 17,984,282 | 1.528% | 2.548% |
| August | 10,896,487 | 0.926% | 1.544% |
| September | 8,792,656 | 0.747% | 1.246% |
| October | 10,679,999 | 0.908% | 1.513% |
| November | 16,030,748 | 1.362% | 2.272% |
| December | 26,019,216 | 2.211% | 3.687% |
| 2013 | | | |
| January | 34,854,629 | 2.962% | 4.939% |
| February | 23,814,652 | 2.024% | 3.375% |
| March | 25,984,331 | 2.208% | 3.682% |
| April (1–22) | 21,877,167 | 1.859% | 3.100% |
| April (23–30) | 35,987,469 | 3.058% | 5.099% |
| May (1–the Latest Practicable Date) | 33,918,802 | 2.882% | 4.806% |

Source: Shanghai Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the table above, the average daily trading volume (i) was in the range of 8,792,656 Citychamp Shares (the lowest) to 36,049,852 Citychamp Shares (the highest) on or before 22 April 2013; (ii) the average daily trading volume of the Citychamp Shares has not reached the low end of the proposed number of Citychamp Sale Shares (i.e. 55,000,000 Citychamp Shares); (iii) the average daily trading volume of the Citychamp Shares was declining from 34,854,629 Citychamp Shares since January 2013 to 21,877,167 Citychamp Shares in April 2013 (up to the date of the entering into the Share Disposal Agreement); and (iv) the average daily trading volume of the Citychamp Shares was 33,035,083 Citychamp Shares since the entering of the Share Disposal Agreement on 22 April 2013 to the Latest Practicable Date.

Taking into account that (i) the Citychamp Sale Shares represent approximately 54.3% to 57.3% of the bonus shares received by Starlex; (ii) after partially realizing the Group's interest in Citychamp, Starlex will remain to hold a meaningful percentage interest in Citychamp (ranging between approximately 9.86% and approximately 10.11% of the issued share capital of Citychamp); and (iii) the historical trading volume of the Citychamp Shares as described above, we concur with the Directors and believe that it is fair and reasonable to partially realise the Group's interest in Citychamp (i.e. with the range of Citychamp Sale Shares as described above) without exerting pressure to the steady average monthly trading volume of the Citychamp Shares and/or adversely affecting prices of Citychamp Shares, which in turn, will affect the value of the remaining Citychamp Shares held by Starlex after Completion.

(c) *Payment method*

As described in the "Letter from the Board" of the Circular, the Share Disposal shall take place within three months, from and including the date of the EGM, after the obtaining of the Independent Shareholders' approval of the Share Disposal Agreement and the transaction contemplated thereunder at the EGM.

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.

Having considered the above reasons and analysis, we are of the view that the terms of the Share Disposal Agreement are fair and reasonable, and are in the interests of the Company and the Independent Shareholders as a whole.

5. Possible financial effect of the Share Disposal

As described in the "Letter from the Board" of the Circular, for illustration purposes only, based on the attributable proportion of the Citychamp Sale Shares to the total carrying value of the Group's investment in Citychamp of approximately HK\$1,409.1 million and total corresponding investment revaluation reserve of approximately HK\$725.4 million as at 31 December 2012, the Consideration for the Citychamp Sale Shares of range between approximately RMB330.0 million (equivalent to approximately

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HK\$412.5 million) and approximately RMB348.0 million (equivalent to approximately HK\$435.0 million), and the related withholding tax and transaction costs; the gain from the Share Disposal would range between approximately HK\$180.8 million and approximately HK\$190.6 million. The actual gain on the Share Disposal will be calculated on the date of Completion.

As at the Latest Practicable Date, Starlex owned 173,989,058 Citychamp Shares, representing approximately 14.78% of the issued share capital of Citychamp. Upon Completion, Starlex's interest in Citychamp will range between approximately 9.86% and approximately 10.11%. The remaining Citychamp Shares to be held by Starlex will continue to be recorded as available-for-sale financial assets in the Group's accounts.

RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the Share Disposal is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Share Disposal Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the Share Disposal Agreement to be proposed at the EGM.

Yours faithfully
For and on behalf of
Altus Capital Limited

Arnold Ip
Executive Director

Chang Sean Pey
Executive Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF THE DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in Shares

| Name of Director | Nature of interest | Number of Shares held | Percentage of shareholding |
|-------------------------|---------------------------|------------------------------|-----------------------------------|
| Hon Kwok Lung | Corporate (<i>Note</i>) | 2,718,703,515 | 62.92% |
| | Beneficial owner | 3,500,000 | 0.08% |
| | Interest of spouse | 1,374,000 | 0.03% |
| Shang Jianguang | Beneficial owner | 8,000,000 | 0.19% |
| Shi Tao | Beneficial owner | 5,000,000 | 0.12% |
| Lam Toi Man | Beneficial owner | 3,500,000 | 0.08% |
| Fung Tze Wa | Beneficial owner | 2,100,000 | 0.05% |

Note: 1,750,000,000 Shares were held by Full Day Limited, which is wholly-owned by Mr. Hon Kwok Lung. 968,703,515 Shares were held by Sincere View International Limited, which is owned as to 80% by Mr. Hon Kwok Lung and 20% by his wife, Ms. Lam Suk Ying. Mr. Hon Kwok Lung is the sole director of Full Day Limited. Mr. Hon Kwok Lung and Ms. Lam Suk Ying are directors of Sincere View International Limited.

Long positions in share options of the Company

| Name of Director | Date of grant | Number of share options outstanding as at the Latest Practicable Date | Exercisable period | Exercise price per Share HK\$ |
|------------------|---------------|---|----------------------|----------------------------------|
| Fung Tze Wa | 9/12/2008 | 1,400,000 | 9/12/2009 – 7/1/2019 | 0.325 |
| Li Qiang | 9/12/2008 | 3,500,000 | 9/12/2009 – 7/1/2019 | 0.325 |

Long position in 珠海羅西尼錶業有限公司 (Zhuhai Rossini Watch Industry Limited) (“Rossini”) (Note 1)

| Name of Director | Nature of interest | Percentage of shareholding |
|------------------|--------------------|----------------------------|
| Ms. Sit | Corporate (Note 2) | 9% |

Notes:

- Rossini is owned as to 91% indirectly by the Company and 9% by Fujian Fengrong. Rossini is an associated corporation of the Company within the meaning of Part XV of the SFO.
- The interest in Rossini was held by Fujian Fengrong, which is owned as to approximately 68.5% by Ms. Sit, an executive Director, and 31.5% by Ms. Lu. Both Ms. Sit and Ms. Lu are daughters-in-law of Mr. Hon Kwok Lung, an executive Director.

Save as disclosed above, as at the Latest Practicable Date, none of the directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

3. COMPETING BUSINESS

None of the Directors and their respective associates has any interests in a business, which competes or is likely to compete with the business of the Group.

4. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

Save as the Share Disposal Agreement disclosed in this circular, no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

Save as the Share Disposal Agreement disclosed in this circular, as at the Latest Practicable Date, none of the Directors had, or has had any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2012, the date to which the latest published audited consolidated financial statements of the Company were made up.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 December 2012, the date to which the latest published audited financial statements of the Group were made up.

8. EXPERT AND CONSENT

- (a) The following is the qualification of the expert who has given opinion, which is contained or referred to in this circular:

| Name | Qualification |
|-----------------------|--|
| Altus Capital Limited | A licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO |

- (b) As at the Latest Practicable Date, Altus Capital Limited did not have any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Altus Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it respectively appears.
- (d) Altus Capital Limited does not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2012, the date to which the latest published audited financial statements of the Company were made up.

9. GENERAL

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Units 1902–04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong during normal office hours on any weekday, except Saturdays, Sundays and public holidays, from the date of this circular up to and including 11 June 2013:

- (a) the Share Disposal Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 13 to 14 of this circular;
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 15 to 30 of this circular;
- (d) the written consent referred to in the section headed “Expert and consent” in this appendix; and
- (e) this circular.



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Haidian Holdings Limited (the “**Company**”) will be held at Unit 1902-04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, on Tuesday, 11 June 2013 at 11:00 a.m. (and any adjournment thereof) for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the conditional sale and purchase agreement (the “**Share Disposal Agreement**”) dated 22 April 2013 entered into between Starlex Limited (“**Starlex**”), a wholly-owned subsidiary of the Company, and 福建豐榕投資有限公司 (Fujian Fengrong Investment Company Limited) (“**Fujian Fengrong**”), a copy of which is tabled at the meeting and marked A and initialled by the Chairman of the meeting for identification purposes, pursuant to which Starlex agreed to sell and Fujian Fengrong agreed to purchase not less than 55,000,000 and not more than 58,000,000 ordinary shares of 冠城大通股份有限公司 (Citychamp Dartong Company Limited) within three months after the obtaining of the approval of the Share Disposal Agreement from the independent shareholders of the Company at an extraordinary general meeting of the Company (the “**EGM**”), including the date of the EGM, be and is hereby approved, confirmed and ratified; and
- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal of the Company is necessary, be and is hereby authorised to execute all documents and to do all such things and take all such other steps which, in his/her opinion, may be necessary or desirable in connection with the matters contemplated in and for completion of the Share Disposal Agreement.”

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

Hong Kong, 24 May 2013

NOTICE OF EGM

Registered office:

P.O. Box 309
Ugland House
South Church Street
Grand Cayman
Cayman Islands

Principal place of business:

Units 1902-04
Level 19
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of such member. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power of authority must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting (or adjourned meeting as the case may be).
3. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. Where there are joint holders of any share of the Company, any one of such holders may vote at the meeting either personally or by proxy in respect of such share as if he/she was solely entitled thereto, but if more than one of such holders be present at the meeting personally or by proxy, then the one of such holders whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share of the Company stands shall for this purpose be deemed joint holders thereof.