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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licenced securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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) of 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)

**MAJOR AND CONNECTED TRANSACTIONS
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**



CIMB Securities (HK) 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 CIMB containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 24 of this circular.

A notice convening the EGM to be held at Units 1902-04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong on Wednesday, 9 March 2011 at 11:00 a.m. is set out on pages 31 to 33 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 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.

22 February 2011

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DEFINITIONS

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

“Agreements”	the Jiangsu Agreement and the Fuzhou Agreement
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“CIMB”	CIMB Securities (HK) Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and Independent Shareholders on the terms of the Agreements
“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
“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(s)”	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
“Disposals”	the Jiangsu Disposal and the Fuzhou Disposal
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the Agreements and the transactions contemplated thereunder
“Fuzhou Agreement”	the agreement dated 6 January 2011 entered into between the Company and the Purchaser in respect of the Fuzhou Disposal

DEFINITIONS

“Fuzhou Dartong”	Fuzhou Dartong Machinery and Electronic Company Limited 福州大通機電有限公司, a company established in the PRC with limited liability and is owned as to 51% by Citychamp and 49% by the Company
“Fuzhou Disposal”	the sale of the Fuzhou Sale Shares by the Company pursuant to the Fuzhou Agreement
“Fuzhou Sale Shares”	49% interest in Fuzhou Dartong beneficially owned by the Company
“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 Agreements
“Independent Shareholders”	Shareholders other than the Purchaser, its ultimate beneficial owner and their respective associates
“Jiangsu Agreement”	the agreement dated 6 January 2011 entered into between the Company and the Purchaser in respect of the Jiangsu Disposal
“Jiangsu Dartong”	Jiangsu Dartong M&E Co., Limited 江蘇大通機電有限公司, a company established in the PRC with limited liability and is owned as to 25.58% by the Company, 42.2% by Citychamp and 32.22% by Jiangsu Qingjiang
“Jiangsu Disposal”	the sale of the Jiangsu Sale Shares by the Company pursuant to the Jiangsu Agreement
“Jiangsu Qingjiang”	江蘇清江電機股份有限公司 (Jiangsu Qingjiang Electrical Holdings Company Limited), a company established in the PRC with limited liability
“Jiangsu Sale Shares”	25.58% interest in Jiangsu Dartong beneficially owned by the Company

DEFINITIONS

“Latest Practicable Date”	17 February 2011, 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
“Original Examining and Approving Authority”	the relevant examining and approving authority in the PRC that approved the establishment of Jiangsu Dartong or Fuzhou Dartong, as the case may be
“PRC”	the People’s Republic of China
“Purchaser”	Honour Aim Limited, a company incorporated in Hong Kong with limited liability and is beneficially wholly-owned by Mr. Hon Kwok Lung
“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
“Shareholder(s)”	holder(s) of the Share(s)
“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
Shang Jianguang
Shi Tao
Lam Toi Man
Bi Bo

Registered office:

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

Non-executive Director:

Sit Lai Hei

Principal place of business:

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

Independent Non-executive Directors:

Fung Tze Wa
Kwong Chun Wai, Michael
Li Qiang

22 February 2011

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS

INTRODUCTION

On 6 January 2011, the Company agreed to sell and the Purchaser agreed to acquire the 49% equity interest of Fuzhou Dartong, a jointly-controlled entity of the Company, at a consideration of HK\$93,342,000. On the same date, the Company also agreed to sell and the Purchaser agreed to acquire the 25.58% equity interest of Jiangsu Dartong, an associate company of the Company, at a consideration of HK\$40,768,000.

The purpose of this circular is to provide you with, among others, (i) details of the Disposals; (ii) a letter from the Independent Board Committee; (iii) a letter of advice from CIMB to the Independent Board Committee and the Independent Shareholders in relation to the Disposals; and (iv) the notice of the EGM.

LETTER FROM THE BOARD

THE FUZHOU AGREEMENT

Date

6 January 2011

Parties

Vendor: the Company

Purchaser: Honour Aim Limited

The Purchaser is an investment holding company ultimately beneficially wholly-owned by Mr. Hon Kwok Lung, the controlling shareholder and an executive director of the Company.

Subject matter

Pursuant to the Fuzhou Agreement, the Company agreed to sell and the Purchaser agreed to acquire the 49% equity interest of Fuzhou Dartong at a consideration of HK\$93,342,000.

The Fuzhou Sale Shares represent the Company's entire shareholding interest in Fuzhou Dartong.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, another shareholder of Fuzhou Dartong, Citychamp, and Fuzhou Dartong itself are not connected persons of the Company.

Consideration

The consideration payable to the Company under the Fuzhou Agreement for the Fuzhou Sale Shares is HK\$93,342,000. The payment terms of the consideration are as follows:

- (i) HK\$18,668,400 payable in cash by the Purchaser within seven business days after the fulfilment of conditions (i), (ii) and (iii) as stated in the sub-section headed "Conditions precedent" under the section headed "The Fuzhou Agreement"; and
- (ii) HK\$74,673,600 payable in cash by the Purchaser within seven business days after completion of the Fuzhou Agreement.

The consideration for the Fuzhou Sale Shares was arrived at after arm's length negotiations between the Company and the Purchaser taking into consideration of the book value of Fuzhou Dartong as at 30 June 2010.

LETTER FROM THE BOARD

Conditions precedent

Completion of the Fuzhou Agreement is conditional upon:

- (i) the approval of the Fuzhou Disposal and the transactions contemplated under the Fuzhou Agreement by the Independent Shareholders and the Stock Exchange (if necessary) in accordance with the requirements of the Listing Rules and/or other applicable regulations in Hong Kong and that the Fuzhou Disposal does not affect the Company's listing status on the Stock Exchange;
- (ii) the Company, the Purchaser, Fuzhou Dartong and their respective board of directors approving the signing and execution of the Fuzhou Agreement;
- (iii) the other shareholder of Fuzhou Dartong waiving its first right of refusal for the Fuzhou Sale Shares in writing; and
- (iv) the Original Examining and Approving Authority and all other relevant authorities approving the transfer of the Fuzhou Sale Shares.

Conditions (ii) and (iii) had been fulfilled up to the Latest Practicable Date.

Pursuant to the Fuzhou Agreement, the Company has undertaken to obtain the approval of the Fuzhou Disposal and the transactions contemplated under the Fuzhou Agreement by the Independent Shareholders and the Stock Exchange (if necessary) within two months from the date of the Fuzhou Agreement. The Purchaser has undertaken that it will procure Fuzhou Dartong to obtain the approvals of the Original Examining and Approving Authority and all other relevant authorities in respect of the transfer of the Fuzhou Sale Shares and complete the registration of change in the shareholding interest of Fuzhou Dartong within two months after being notified of the Company having obtained the approval of the Independent Shareholders and the Stock Exchange (if necessary) as stated above.

If the Company cannot obtain the approval of the Independent Shareholder and the Stock Exchange (if necessary) aforesaid within two months from the date of the Fuzhou Agreement, the Purchaser can accordingly postpone procuring Fuzhou Dartong to obtain the approvals of the relevant authorities in respect of the transfer of the Fuzhou Sale Shares and complete the registration of change in the shareholding interest of Fuzhou Dartong.

Completion of the Fuzhou Agreement shall take place on the date on which all conditions above have been fulfilled. If the conditions are not fulfilled by 30 June 2011, the Fuzhou Agreement shall cease and determine, and neither party to the Fuzhou Agreement shall seek any claim against each other save for any antecedent breaches of the Fuzhou Agreement.

LETTER FROM THE BOARD

THE JIANGSU AGREEMENT

Date

6 January 2011

Parties

Vendor: the Company

Purchaser: Honour Aim Limited

Subject matter

Pursuant to the Jiangsu Agreement, the Company agreed to sell and the Purchaser agreed to acquire the 25.58% equity interest of Jiangsu Dartong at a consideration of HK\$40,768,000.

The Jiangsu Sale Shares represent the Company's entire shareholding interest in Jiangsu Dartong.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, other shareholders of Jiangsu Dartong and Jiangsu Dartong itself are not connected persons of the Company.

Consideration

The consideration payable to the Company under the Jiangsu Agreement for the Jiangsu Sale Shares is HK\$40,768,000. The payment terms of the consideration are as follows:

- (i) HK\$8,153,600 payable in cash by the Purchaser within seven business days after the fulfilment of conditions (i), (ii) and (iii) as stated in the sub-section headed "Conditions precedent" under the section headed "The Jiangsu Agreement"; and
- (ii) HK\$32,614,400 payable in cash by the Purchaser within seven business days after completion of the Jiangsu Agreement.

The consideration for the Jiangsu Sale Shares was arrived at after arm's length negotiations between the Company and the Purchaser taking into consideration of the Company's interest in Jiangsu Dartong as at 30 June 2010.

Conditions precedent

Completion of the Jiangsu Agreement is conditional upon:

- (i) the approval of the Jiangsu Disposal and the transactions contemplated under the Jiangsu Agreement by the Independent Shareholders and the Stock Exchange (if necessary) in accordance with the requirements of the Listing Rules and/or other applicable regulations in Hong Kong and that the Jiangsu Disposal does not affect the Company's listing status on the Stock Exchange;

LETTER FROM THE BOARD

- (ii) the Company, the Purchaser, Jiangsu Dartong and their respective board of directors approving the signing and execution of the Jiangsu Agreement;
- (iii) the other shareholders of Jiangsu Dartong waiving their first rights of refusal for the Jiangsu Sale Shares in writing; and
- (iv) the Original Examining and Approving Authority and all other relevant authorities approving the transfer of the Jiangsu Sale Shares.

Conditions (ii) and (iii) had been fulfilled up to the Latest Practicable Date.

Pursuant to the Jiangsu Agreement, the Company has undertaken to obtain the approval of the Jiangsu Disposal and the transactions contemplated under the Jiangsu Agreement by the Independent Shareholders and the Stock Exchange (if necessary) within two months from the date of the Jiangsu Agreement. The Purchaser has undertaken that it will procure Jiangsu Dartong to obtain the approvals of the Original Examining and Approving Authority and all other relevant authorities in respect of the transfer of the Jiangsu Sale Shares and complete the registration of change in the shareholding interest of Jiangsu Dartong within two months after being notified of the Company having obtained the approval of the Independent Shareholders and the Stock Exchange (if necessary) as stated above.

If the Company cannot obtain the approval of the Independent Shareholder and the Stock Exchange (if necessary) aforesaid within two months from the date of the Jiangsu Agreement, the Purchaser can accordingly postpone procuring Jiangsu Dartong to obtain the approvals of the relevant authorities in respect of the transfer of the Jiangsu Sale Shares and complete the registration of change in the shareholding interest of Jiangsu Dartong.

Completion of the Jiangsu Agreement shall take place on the date on which all conditions above have been fulfilled. If the conditions are not fulfilled by 30 June 2011, the Jiangsu Agreement shall cease and determine, and neither party to the Jiangsu Agreement shall seek any claim against each other save for any antecedent breaches of the Jiangsu Agreement.

INFORMATION OF FUZHOU DARTONG

Overview

Fuzhou Dartong was established in the PRC and is owned as to 51% by Citychamp Dartong and 49% by the Company. Fuzhou Dartong is principally engaged in the manufacture and sale of enamelled copper wires in the PRC. The enamelled copper wires produced by Fuzhou Dartong are used in colour display and colour picture tube in televisions. They are frequently used in conversion machinery and air-conditioning compressors. The production plant of Fuzhou Dartong is located in Fujian Province, the PRC.

LETTER FROM THE BOARD

Financial information

Fuzhou Dartong is recognised as a jointly-controlled entity in the accounts of the Company using the proportionate consolidation method. The following table sets out the financial information of Fuzhou Dartong that was included in the Group's consolidated financial statements for the two years ended 31 December 2009 and the six months ended 30 June 2010.

	For the year ended		For the
	31 December		six months
	2008	2009	ended
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>30 June 2010</i>
			<i>(Unaudited)</i>
			<i>HK\$'000</i>
Revenue	589,869	471,149	349,845
Profit/(loss) before taxation	(7,619)	10,838	4,610
Profit/(loss) after taxation	(7,772)	10,830	4,245

As at 30 June 2010, the Company's 49% share of the net asset value of Fuzhou Dartong was approximately HK\$87.74 million.

INFORMATION OF JIANGSU DARTONG

Overview

Jiangsu Dartong was established in the PRC and is owned as to 25.58% by the Company, 42.2% by Citychamp Dartong and 32.22% by Jiangsu Qingjiang. Jiangsu Dartong is principally engaged in the manufacture and sale of enamelled copper wires in the PRC. The enamelled copper wires produced by Jiangsu Dartong are mainly used in various electrical machinery and equipment, automobiles, electrical tools and transformers. Its production plant is located in Jiangsu Province, the PRC.

Financial information

Jiangsu Dartong is recognised as an associate in the accounts of the Company using the equity method.

The Company's 25.58% share of profit after taxation of Jiangsu Dartong amounted to approximately HK\$247,000 and approximately HK\$1.88 million for the two years ended 31 December 2009 and approximately HK\$2.24 million for the six months ended 30 June 2010 respectively.

As at 30 June 2010, the Company's interest in Jiangsu Dartong was approximately HK\$38.37 million.

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE DISPOSALS

For illustration purpose only, based on the Company's 49% share of the net asset value of Fuzhou Dartong of approximately HK\$87.74 million as at 30 June 2010 and the consideration for the Fuzhou Sale Shares of HK\$93,342,000, the gain from the Fuzhou Disposal would be approximately HK\$5.60 million. For illustration purpose only, based on the Company's interest in Jiangsu Dartong of approximately HK\$38.37 million as at 30 June 2010 and the consideration for the Jiangsu Sale Shares of HK\$40,768,000, the gain from the Jiangsu Disposal would be approximately HK\$2.40 million. The actual gain on the Disposals will be calculated on the respective date of completion of the Disposals.

Notwithstanding the expected gain from the Disposals, the earnings of the Group may be negatively affected in the short term following the completion of the Disposals as the Group will no longer share the profits of Fuzhou Dartong and Jiangsu Dartong. Nonetheless, the Disposals are expected to have a positive impact on the earnings of the Group in the medium term as the Disposals will allow the Group to reallocate its financial resources to the watches and timepieces business which is more profitable than the enamelled copper wires business. For illustration purpose only, the Disposals will increase the Group's net asset value by approximately HK\$8 million upon completion of the Disposals, being the gain from the Disposals.

Upon completion of the Disposals, the Group will only have interest in Fuzhou Dartong and Jiangsu Dartong through its 14.78% interest in Citychamp which is one of the shareholders of Fuzhou Dartong and Jiangsu Dartong.

REASONS FOR AND BENEFITS OF THE DISPOSALS

The Company is engaged in the manufacture and distribution of watches and timepieces, property investment, and the manufacture and distribution of enamelled copper wires through its subsidiaries, jointly-controlled entity and associates.

As stated in the Company's annual report for the year ended 31 December 2009, the enamelled copper wires business went through a difficult period of global financial crisis and industry consolidation during 2009. The enamelled copper wire business continues to face intensive market competition and increased production costs. Despite the efforts of Jiangsu Dartong and Fuzhou Dartong to improve financial performance by developing new products, reorganising their customer portfolios and controlling costs, the profit margins of the two companies remain low. The Disposals represent an opportunity for the Company to realise its investments in Jiangsu Dartong and Fuzhou Dartong.

Furthermore, the Disposals will allow the Group to focus on its watches and timepieces business, which is its core business. The Group manufactures and distributes watches and timepieces principally in the PRC. The Group owns brand names of Rossini and EBOHR that were ranked first and fifth respectively in terms of sales volume of watches (local and foreign brands) in the PRC in October 2010. The watches and timepieces business has achieved a significant growth in sales in recent years. The Group currently has over 2,000 points of sale in the PRC. The Group will continue to expand its distribution network in the PRC and also enhance its brand image through various

LETTER FROM THE BOARD

marketing promotions. The Group also plans to grow through acquisitions or investments in watches and timepieces business should suitable opportunities arise. It is intended that the proceeds from the Disposals will be used for any strategic acquisitions or investments in watches and timepieces business and as general working capital for the Group. The Company has yet to identify any specific acquisitions or investments targets. The Disposals will allow the Company to reallocate its financial resources to the watches and timepieces business which is more profitable than the enamelled copper wires business. Moreover, the Disposals will allow the management to concentrate on the Group's core business.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group's prospect in the next few years is promising given the strong brand recognition in Mainland China and the aggressive store expansion in second-tier and third-tier cities that is estimated to be about 15% annually in the next few years. Coupled with the currently low per capita watch consumption and rising urbanisation, the domestic watch market is promising and the Company will benefit from the continuous growth in the watch industry and achieve relatively high growth in revenue in the future.

Looking ahead, the Group continues to invest in its successful organic growth strategy through the existing watch entities, i.e., EBOHR, Rossini, Permanence and Swiss Chronometric. The Group also intends to acquire watch distribution companies in Mainland China. The Company has yet to identify any specific acquisition targets. The ultimate goal is to build a comprehensive portfolio of companies specialising in manufacturing watches and distribution of the proprietary brands and non-proprietary brands of watches in Mainland China and overseas.

GENERAL

The aggregation of the Disposals pursuant to Rule 14.22 of the Listing Rules constitute major transactions of the Company under Chapter 14 of the Listing Rules. The Purchaser is wholly-owned by Mr. Hon Kwok Lung, the controlling shareholder and an executive director of the Company. As such, the Purchaser is a connected person of the Company. Each of the Jiangsu Disposal and the Fuzhou Disposal 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 poll.

Mr. Hon Kwok Lung, an executive Director and the ultimate beneficial owner of the Purchaser, has abstained from voting on the board resolution in relation to the Disposals.

The Independent Board Committee, comprising the independent non-executive Directors, has been formed to advise the Independent Shareholders on the terms of the Agreements. CIMB has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

EGM

A notice convening the EGM to be held at Units 1902-04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, on Wednesday, 9 March 2011 at 11:00 a.m. is set out on pages 31 to 33 to this circular. Ordinary resolutions will be proposed at the EGM and, if thought fit, passed by the Shareholders by way of poll to approve the Agreements and the transactions contemplated thereunder. The Purchaser, its ultimate beneficial owner and their respective associates are required to abstain from voting at the EGM. The Purchaser, its ultimate beneficial owner and their respective associates controlled 2,529,353,515 Shares in aggregate as at the Latest Practicable Date, representing approximately 61.41% 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.

RECOMMENDATION

Having considered the factors and reasons set out herein, the Directors (other than the independent non-executive Directors whose letter of recommendation is set out on pages 13 to 14 of this circular) are of the opinion that the respective terms of the Agreements are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (other than the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM in respect of the Agreements.

You are advised to read carefully the letters from the Independent Board Committee and CIMB contained in this circular before deciding whether or not to vote in favour of the resolutions to be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in 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)

22 February 2011

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 22 February 2011 (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 Agreements, details of which are set out in the letter from the Board in the Circular. CIMB 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 CIMB together with the principal factors and reasons taken into consideration in arriving at such advice are set out on pages 15 to 24 of the Circular.

Having considered the terms of the Agreements, the interest of the Independent Shareholders, the principal factors and reasons considered by CIMB and the advice of CIMB, we consider that the terms of the Agreements 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 resolutions to be proposed at the EGM in respect of the Agreements.

Fung Tze Wa

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

Li Qiang

LETTER FROM CIMB



25/F., Central Tower
28 Queen's Road Central
Hong Kong

22 February 2011

To the Independent Board Committee and the Independent Shareholders of China Haidian Holdings Limited,

Dear Sirs,

MAJOR AND CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company to recommend whether the terms of the Agreements, details of which are contained in a circular (the "Circular") of the Company to the Shareholders dated 22 February 2011 of which this letter forms part, are fair and reasonable and on normal commercial terms and whether the Agreements are in the interests of the Group and the Shareholders as whole, and to advise the Independent Shareholders how to vote at the EGM. Expressions used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

The Disposals, when aggregated pursuant to Rule 14.22 of the Listing Rules, constitute major transactions of the Company under Chapter 14 of the Listing Rules. In addition, as the Purchaser is wholly-owned by Mr. Hon Kwok Lung, the controlling shareholder and an executive director of the Company, the Purchaser is a connected person of the Company. Accordingly, each of the Jiangsu Disposal and the Fuzhou Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and the Disposals contemplated thereunder are subject to the approval by the Independent Shareholders at the EGM, which vote shall be taken by poll. The Purchaser, its ultimate beneficial owner and their respective associates shall abstain from voting at the EGM.

An Independent Board Committee, comprising Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael and Mr. Li Qiang, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders on the terms of the Agreements.

LETTER FROM CIMB

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and senior management of the Company. The Directors have declared in a responsibility statement set out in the Appendix to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, Fuzhou Dartong, Jiangsu Dartong or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the Agreements, we have considered the following principal factors and reasons:

1. Background of the Agreements

On 6 January 2011, the Company announced that the Company and the Purchaser entered into the Fuzhou Agreement, pursuant to which the Company agreed to sell and the Purchaser agreed to acquire 49% equity interest of Fuzhou Dartong, a jointly-controlled entity of the Company, at a consideration of HK\$93,342,000, subject to the terms and conditions of the Fuzhou Agreement. On the same date, the Company and the Purchaser also entered into the Jiangsu Agreement, pursuant to which the Company agreed to sell and the Purchaser agreed to acquire 25.58% equity interest of Jiangsu Dartong, an associate company of the Company, at a consideration of HK\$40,768,000, subject to the terms and conditions of the Jiangsu Agreement. Details of the Agreements are set out in the Letter from the Board in the Circular.

The Company is engaged in the manufacture and distribution of watches and timepieces, property investment, and the manufacture and distribution of enamelled copper wires through its subsidiaries, jointly-controlled entity and associates. As the Fuzhou Sale Shares represent the Company's entire shareholding interest in Fuzhou Dartong and the Jiangsu Sale Shares represent the Company's entire shareholding interest in Jiangsu Dartong, the Group will only have interest in Fuzhou Dartong and Jiangsu Dartong through its 14.78% interest in Citychamp which is one of the shareholders of Fuzhou Dartong and Jiangsu Dartong upon completion of the Disposals.

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2. Reasons for and benefits of entering into of the Agreements

Fuzhou Dartong

Fuzhou Dartong is principally engaged in the manufacture and sale of enamelled copper wires, which are used in colour display and colour picture tube in televisions, conversion machinery and air-conditioning compressors, in the PRC. We have reviewed the financial information of Fuzhou Dartong that was included in the audited consolidated financial statements of the Group for the year ended 31 December 2008 ("FY2008") and 31 December 2009 ("FY2009") and the unaudited consolidated management accounts for the six months ended 30 June 2010 ("1H FY2010", collectively referred to as the "Review Period"), details of which are set out as follows:

	Year ended 31 December		Six months
	2008	2009	ended
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	30 June 2010
	(audited)	(audited)	<i>HK\$ '000</i> (unaudited)
Revenue	589,869	471,149	349,845
Gross profit	(8,005)	12,246	13,962
Net profit/(loss) before taxation	(7,619)	10,838	4,610
Net profit/(loss) after taxation	(7,772)	10,830	4,245
<i>Gross profit margin</i>	-1.36%	2.60%	3.99%
<i>Net profit margin</i>	-1.32%	2.30%	1.21%
	As at 31 December	As at 30 June	
	2008	2009	2010
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	(audited)	(audited)	(unaudited)
Net assets value	71.67	82.50	87.74

As illustrated in the table above, the financial performance of Fuzhou Dartong fluctuated during the Review Period. The revenue of Fuzhou Dartong was approximately HK\$471.15 million for FY2009, representing a decrease of approximately 20.13% as compared to FY2008, while the revenue for 1H FY2010 was approximately HK\$349.85 million, representing an increase of approximately 48.51% as compared to the pro-rated revenue for FY2009. As advised by the Company, the decrease in revenue for FY2009 was mainly due to the financial crisis in the third quarter of 2008. The industry performed better in 2010, which results in the increase in revenue for 1H FY2010. Despite the decrease in revenue for FY2009, the net profit after taxation has increased to approximately HK\$10.83 million,

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representing an increase of approximately 239.35% as compared to FY2008, while the net profit after taxation for 1H FY2010 was approximately HK\$4.25 million, representing a decrease of approximately 21.61% as compared to the pro-rated net profit after taxation for FY2009. The gross profit margin has increased gradually from approximately -1.36% in FY2008 to approximately 2.60% in FY2009 and to approximately 3.99% in 1H FY2010, while the net profit margin was approximately -1.32%, 2.30% and 1.21% for FY2008, FY2009 and 1H FY2010, respectively. As advised by the Company, the increase in the net profit after taxation for FY2009 was mainly due to a realised gain on forward contracts entered for the purpose of purchase and sale of copper of approximately HK\$7.6 million, while the increasing trend for the gross profit margin was principally attributable to the imposition of cost control measures, pricing policy and the reorganisation of the customer portfolios of Fuzhou Dartong.

Jiangsu Dartong

Jiangsu Dartong is principally engaged in the manufacture and sale of enamelled copper wires, which are mainly used in various electrical machinery and equipment, automobiles, electrical tools and transformers, in the PRC. We have reviewed the financial information of Jiangsu Dartong that was included in the audited consolidated financial statements of the Group for FY2008 and FY2009 and the unaudited consolidated management accounts for 1H FY2010, details of which are set out as follows:

	Year ended 31 December		Six months
	2008	2009	ended
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	30 June 2010
	(audited)	(audited)	<i>HK\$ '000</i> (unaudited)
Revenue	334,183	259,505	210,750
Gross profit/(loss)	8,097	10,492	8,511
Net profit/(loss) before taxation	247	2,171	2,555
Net profit/(loss) after taxation	247	1,878	2,236
<i>Gross profit margin</i>	2.42%	4.04%	4.04%
<i>Net profit margin</i>	0.07%	0.72%	1.06%
	As at 31 December	As at 30 June	
	2008	2009	2010
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	(audited)	(audited)	(unaudited)
Net assets value	35.32	37.22	38.37

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As illustrated in the table above, the financial performance of Jiangsu Dartong fluctuated during the Review Period. The revenue of Jiangsu Dartong was approximately HK\$259.51 million for FY2009, representing a decrease of approximately 22.35% as compared to FY2008, while the revenue for 1H FY2010 was approximately HK\$210.75 million, representing an increase of approximately 62.42% as compared to the pro-rated revenue for FY2009. As advised by the Company, the decrease in revenue for FY2009 was mainly due to the financial crisis in the third quarter of 2008. The industry performed better in 2010, which results in the increase in revenue for 1H FY2010. Despite the decrease in revenue for FY2009, the net profit after taxation was approximately HK\$1.88 million for FY2009, representing an increase of approximately 660.32% as compared to FY2008. The net profit after taxation for 1H FY2010 was approximately HK\$2.24 million, which is in line with the increase in revenue in 1H FY2010 and representing an increase of approximately 138.13% as compared to the pro-rated net profit after taxation for FY2009. The gross profit margin has increased from approximately 2.42% in FY2008 to approximately 4.04% in FY2009 and in 1H FY2010, while the net profit margin was approximately 0.07%, 0.72% and 1.06% for FY2008, FY2009 and 1H FY2010, respectively. As advised by the Company, the increase in the net profit after taxation and gross profit margin was mainly due to the imposition of cost control measures, pricing policy and the reorganisation of the customer portfolios of Jiangsu Dartong. As stated in the Letter from the Board, despite the efforts of Jiangsu Dartong and Fuzhou Dartong to improve financial performance by developing new products, reorganizing their customer portfolios and controlling costs, the profit margins of the two companies remain low.

As stated in the Letter from the Board, the Group manufactures and distributes watches and timepieces principally in the PRC. The Group owns brand names of Rossini and EBOHR that were ranked first and fifth respectively in terms of sales volume of watches (local and foreign brands) in the PRC in October 2010. The Group currently has over 2,000 points of sale in the PRC. The Group will continue to expand its distribution network in the PRC and also enhance its brand image through various marketing promotions. The Group also plans to grow through acquisitions or investments in watches and timepieces business should suitable opportunities arise. It is intended that the proceeds from the Disposals will be used for any strategic acquisitions or investments in watches and timepieces business and as general working capital for the Group.

We note in the Company's annual report for FY2009 (the "Annual Report") that, the Company continues to pursue rapid organic growth from its existing watch subsidiaries. The revenue of the watches and timepieces business was approximately HK\$569,114,000 for FY2009, representing an increase of approximately 110.53% as compared to FY2008, while the revenue for 1H FY2010 was approximately HK\$346,818,000, representing an increase of approximately 42.40% as compared to the six months ended 2009. We also note that the gross profit margin of the watches and timepieces business was approximately 63.48%, 63.33% and 62.52% for FY2008, FY2009 and 1H FY2010 respectively, which is much higher as compared to the gross profit margins of Fuzhou Dartong and Jiangsu Dartong. As stated in the Annual Report, the Company will execute mergers and acquisition

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relating to the watches and jewellery sectors in the PRC and develop business alliances with leading international watch companies. The acquisitions of Rossini and Permanence are the first two of a series of acquisitions implemented. The Group has been evaluating investment opportunities in (a) leading watch manufacturing and distribution companies; (b) leading mechanical watch movement companies; (c) leading watch distribution companies; (d) leading watch and jewellery distribution companies; in the PRC and also investment and distribution opportunities with internationally well-known brands. As noted from the Company's interim report for the year ended 30 June 2010, the Group continues to invest in its successful organic growth strategy through the existing watch entities and the ultimate goal is to build a comprehensive portfolio of companies specializing in manufacturing watches and distribution of the proprietary brands and non-proprietary brands in Mainland China and overseas. The cash inflow from potential divestment of non-core businesses will provide funds to achieve the ultimate goal.

We also note in the Annual Report that, the enamelled copper wires business went through a difficult period of global financial crisis and industry consolidation during 2009. We have reviewed information sourced from the public domains in respect of the enamelled copper wires industry and note from the research report on the China enamelled wires market issued by the CHINAIDR (中國產業發展研究網) that, with the increasing prices of copper rod, which is the principal raw material of the enamelled copper wires, the average cost per ton of the enamelled copper wires has been increasing over the years. Thus, due to the intense price competition, the overall gross profit level of the enamelled copper wires industry remains in a declining trend. As stated in the Letter from the Board, the enamelled copper wire business continues to face intensive market competition and increased production costs. The Disposals will allow the Group and the management of the Company to focus on its watches and timepieces business, which is its core business and has achieved a significant growth in sales in recent years.

Our view

Having considered the aforesaid, in particular (i) the intensive market competition and low profit margin in the enamelled copper wires business; (ii) the profitability of the watches and timepieces business of the Company as compared to its enamelled copper wires business; and (iii) the long term business strategy to expand the watches and timepieces business, we concur with the view of the management of the Company that the Disposals is in line with the Group's long term business development and is in the interests of the Group and the Shareholders as a whole.

3. The Considerations

The consideration payable in cash by the Purchaser to the Company under the Fuzhou Disposal is HK\$93,342,000 (the "Fuzhou Consideration"). As stated in the Letter from the Board, the Fuzhou Consideration was arrived at after arm's length negotiations between the Company and the Purchaser taking into consideration of the book value of Fuzhou Dartong as at 30 June 2010.

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The consideration payable in cash by the Purchaser to the Company under the Jiangsu Disposal is HK\$ 40,768,000 (the “Jiangsu Consideration”). As stated in the Letter from the Board, the Jiangsu Consideration was arrived at after arm’s length negotiations between the Company and the Purchaser taking into consideration of the Company’s interest in Jiangsu Dartong as at 30 June 2010.

We have discussed with the management of the Company in relation to the fairness and reasonableness of the Fuzhou Consideration and the Jiangsu Consideration for the Disposals (the “Considerations”). We are advised by the Company that the Considerations was determined based on (a) the book value of Fuzhou Dartong and Jiangsu Dartong; and (b) the historical price earning ratio (“PER”) of Fuzhou Dartong and Jiangsu Dartong.

To assess the fairness and reasonableness of the Considerations, we have, on a best effort basis, conducted a search of companies listed on the main board of the Stock Exchange and are principally engaged in the business which to the best of our knowledge, represent a close comparison to that of the Fuzhou Dartong and the Jiangsu Dartong. However, based on our research, we are not able to identify a company listed on the Stock Exchange whose principal business is solely the manufacture and sale of enamelled copper wires in the PRC. Alternatively, we have selected the listed companies, where manufacture and sale of enamelled copper wires in the PRC represent a significant percentage to their respective total revenue. Based on the above criteria, we have, to the best of our knowledge, identified two listed companies (the “Comparable Companies”) and compared their respective valuation multiples, including PER and price to book multiple (“P/B”), with the implied PERs and the implied P/Bs under the Considerations. Details of the comparison are set out below:

Comparable Companies	Stock code	Principal business	Market capitalisation (HK\$ million) <i>(Note 1)</i>	PER (approximately times) <i>(Note 1)</i>	P/B (approximately times) <i>(Note 1)</i>
Tai-I International Holdings Limited	1808	Manufacture and sales of bare copper wires and magnet wires and also provision of processing services of bare copper wires.	470.96	3.49	0.58
Solartech International Holdings Limited	1166	Manufacture and trading of cables and wires, manufacture and trading of copper rods, manufacture and trading of connectors and terminals and mining business.	1210.83	0.87	0.25
Average				2.18	0.42

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		PER – 31 December 2009	PER – 30 June 2010	P/B
	Consideration (HK\$)	(approximately times)	(approximately times)	(approximately times)
Fuzhou Disposal	93,342,000	8.62 <i>(Note 2)</i>	11.10 <i>(Note 4)</i>	1.06 <i>(Note 6)</i>
Jiangsu Disposal	40,768,000	21.71 <i>(Note 3)</i>	6.08 <i>(Note 5)</i>	1.06 <i>(Note 6)</i>

Notes:

1. Data used are extracted from Bloomberg as at the date of the Agreements;
2. Calculated based on the Fuzhou Consideration, the Company's 49% interest in the audited consolidated net profit of Fuzhou Dartong for FY2009 of approximately HK\$10,830,000;
3. Calculated based on the Jiangsu Consideration, the Company's 25.58% interest in the audited consolidated net profit of Jiangsu Dartong for FY2009 of approximately HK\$1,878,000;
4. Calculated based on the Fuzhou Consideration, the Company's 49% interest in the trailing twelve-month net profit of approximately HK\$8,411,000, which is calculated using the unaudited consolidated net profit of Fuzhou Dartong for 1H FY2010 of approximately HK\$4,245,000 and the unaudited consolidated net profit of Fuzhou Dartong for the six months ended 31 December 2009 of approximately HK\$4,166,000;
5. Calculated based on the Jiangsu Consideration, the Company's 25.58% interest in the trailing twelve-month net profit of approximately HK\$6,700,000, which is calculated using the unaudited consolidated net profit of Jiangsu Dartong for 1H FY2010 of approximately HK\$2,236,000 and the unaudited consolidated net profit of Jiangsu Dartong for the six months ended 31 December 2009 of approximately HK\$4,464,000;
6. Calculated based on the Company's 49% interest in the unaudited consolidated net asset value of Fuzhou Dartong as at 30 June 2010 of approximately HK\$87.74 million and the Company's 25.58% interest in the unaudited consolidated net asset value of Jiangsu Dartong as at 30 June 2010 of approximately HK\$38.37 million.

As shown above, the average PER of the Comparable Companies is approximately 2.18 times, and the P/Bs of the Comparable Companies range from approximately 0.25 times to approximately 0.58 times, with an average of approximately 0.42 times. We note that the implied PER under the Fuzhou Consideration using figures for the year ended 31 December 2009 is approximately 8.62 times and the implied PER under the Fuzhou Consideration using the trailing twelve-month figures for 1H FY2010 is approximately 11.10 times, which are both higher than the average PER of the Comparable Companies. The implied PER under the Jiangsu Consideration using figures for the year ended 31 December 2009 is approximately 21.71 times and the implied PER under the Jiangsu Consideration using the trailing twelve-month figures for 1H FY2010 is approximately 6.08 times, which are also higher than the average PER of the Comparable Companies. We also note that the implied P/B for Fuzhou Disposal and Jiangsu Disposal under the Considerations is 1.06 times, and it is higher than the average P/B of the Comparable Companies.

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Having considered the above, we consider that the terms and the Considerations are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

4. Possible financial effects of the Disposals under the Agreements

Net asset value and earnings

Upon completion of the Disposals, the Group will cease to have any interest in the enamelled copper wires business currently held by Fuzhou Dartong and Jiangsu Dartong.

As stated in the Letter from the Board, the consideration was arrived taking into consideration of the net asset value of Fuzhou Dartong and Jiangsu Dartong as at 30 June 2010. Based on the Company's 49% share of the net asset value of Fuzhou Dartong of approximately HK\$87.74 million as at 30 June 2010, the Company's 25.58% share of the net asset value of Jiangsu Dartong of approximately HK\$38.37 million as at 30 June 2010, the Fuzhou Consideration of HK\$93,342,000 and the Jiangsu Consideration of HK\$40,768,000, the estimated gain from the Fuzhou Disposal and the Jiangsu Disposal would be approximately HK\$5.60 million and approximately HK\$2.40 million, respectively. The actual gain on the Disposals will be calculated on the respective date of completion of the Disposals.

Working capital

Given the Considerations will be satisfied in full in cash, the Company will expect an increase in cash of approximately HK\$134,110,000 before deducting any legal and professional fees. As set out in the Letter from the Board, the net proceeds from the Disposals will be used for any strategic acquisitions or investments in watches and timepieces business and as general working capital for the Group.

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RECOMMENDATION

Having considered the principal factors and reasons referred to in the above, we are of the opinion that the terms of the Agreements are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and the entering into of the Agreements is in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the entering into of the Agreements.

Yours faithfully,

For and on behalf of

CIMB Securities (HK) Limited

Alex Lau

Mabel Lam

Head

Senior Vice President

Corporate Finance

Corporate Finance

INDEBTEDNESS STATEMENT

As at the close of business on 31 December 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$171 million which comprised the Group's bank overdraft of approximately HK\$5 million, the Group's bank loans of approximately HK\$140 million and the Group's unsecured unguaranteed amounts due to related companies of approximately HK\$26 million. The bank loans and overdraft were secured by legal charges over certain of the Group's properties and investment properties situated in Hong Kong and the PRC and guarantees granted by a joint venturer.

Save as aforesaid and apart from intra-group liabilities, the Group did not, as at the close of business on 31 December 2010, have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits or any guarantees or other material contingent liabilities.

For the purpose of this statement of indebtedness, foreign currency amounts have been translated into HK\$ at the appropriate exchange rates prevailing as at the close of business on 31 December 2010.

The Directors are not aware of any material change in respect of the indebtedness or other contingent liabilities of the Group since 31 December 2010.

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 or prospects of the Group since 31 December 2009, the date to which the latest published audited financial statements of the Group were made up.

WORKING CAPITAL

The Directors are of the opinion that, after due and carefully enquiry, after taking into account the Group's internal resources, available banking facilities, the effect of the Disposals and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for a period of at least twelve months from the date of this circular.

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>)	2,528,303,515	61.39%
	Beneficial owner	1,050,000	0.03%
Shang Jianguang	Beneficial owner	5,200,000	0.13%
Shi Tao	Beneficial owner	3,250,000	0.08%
Lam Toi Man	Beneficial owner	1,050,000	0.03%
Fung Tze Wa	Beneficial owner	1,050,000	0.03%
Kwong Chun Wai, Michael	Beneficial owner	1,050,000	0.03%

Note: 1,750,000,000 Shares were held by Full Day Limited, which is wholly-owned by Mr. Hon Kwok Lung. 778,303,515 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.

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\$
Hon Kwok Lung	9/12/2008	2,450,000	9/12/2009 – 7/1/2019	0.325
Shang Jianguang	9/12/2008	2,800,000	9/12/2009 – 7/1/2019	0.325
Shi Tao	9/12/2008	1,750,000	9/12/2009 – 7/1/2019	0.325
Lam Toi Man	9/12/2008	2,450,000	9/12/2009 – 7/1/2019	0.325
Fung Tze Wa	9/12/2008	2,450,000	9/12/2009 – 7/1/2019	0.325
Kwong Chun Wai, Michael	9/12/2008	2,450,000	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
Sit Lai Hei	Corporate (Note 2)	9%

Notes:

- Rossini is owned as to 91% indirectly by the Company and 9% by 福建豐榕投資有限公司 (Fujian Fengrong Investment Company Limited) (“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 Lai Hei, a non-executive Director, and 31.5% by Ms. Lu Xiaojun. Both Ms. Sit Lai Hei and Ms. Lu Xiaojun are daughters-in-law of Mr. Hon Kwok Lung, an executive Director of the Company.

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. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of the Group, were entered into by the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the agreement dated 3 May 2010 entered into between the Company and Potent Growth Limited in respect of the subscription of 106,815,620 new Shares at the issue price of HK\$0.77 and the option to subscribe for up to 242,115,405 new Shares at the option price of HK\$0.88;
- (b) the agreement dated 28 June 2010 entered into between Shenzhen Seti Trading Development Company Limited (深圳市森帝貿易發展有限公司) (“Seti Trading”) and Shenzhen Xinzhi Hengtong Trading Company Limited (深圳市信智亨通商貿有限公司) in respect of the disposal of 30% interest of Shenzhen Guanyang Property Development Company Limited (深圳冠洋房地產有限公司) (“Shenzhen Guanyang”) and the shareholder’s loan owed by Shenzhen Guanyang to Seti Trading at an aggregate consideration of RMB426,000,000 (equivalent to HK\$489,900,000);
- (c) the placing agreement entered into among Sincere View International Limited, the Company and Macquarie Capital Securities Limited dated 15 December 2010 in relation to the placing of up to 390,138,000 Shares beneficially owned by Sincere View International Limited at HK\$1.21 per Share;
- (d) the subscription agreement between Sincere View International Limited and the Company dated 15 December 2010 in relation to the subscription of 390,138,000 new Shares at HK\$1.21 per Share by Sincere View International Limited;
- (e) the Jiangsu Agreement; and
- (f) the Fuzhou Agreement.

5. 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.

6. 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)).

7. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

Save as disclosed herein, 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 disclosed herein, 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 2009, the date to which the latest published audited consolidated financial statements of the Company 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
CIMB	A licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

- (b) As at the Latest Practicable Date, CIMB 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) CIMB 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 appears.
- (d) CIMB 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 2009, the date to which the latest published audited financial statements of the Company were made up.

9. GENERAL

- (a) The company secretary and qualified accountant of the Company is Mr. Fong Chi Wah, who is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of Certified Practising Accountant (Australia) and a Chartered Financial Analyst.
- (b) The registered office of the Company is at P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands and the principal place of business of the Company in Hong Kong is at Units 1902-04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.
- (c) The share registrar and transfer office of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

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 9 March 2011:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in the section headed "Material contracts" in this appendix;
- (c) the annual reports of the Company for each of the two years ended 31 December 2009;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 13 to 14 of this circular;
- (e) the letter from CIMB to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 15 to 24 of this circular;
- (f) the written consent referred to in the section headed "Expert and consent" in this appendix; and
- (g) all the circulars of the Company issued pursuant to the requirements set out in Chapter 14 and/or Chapter 14A of the Listing Rules which have been issued since the date of the latest published audited accounts of the Company, being 31 December 2009.

NOTICE OF EGM



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 Units 1902-04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong on Wednesday, 9 March 2011 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the conditional sale and purchase agreement (the “**Jiangsu Agreement**”) dated 6 January 2011 entered into between the Company and Honour Aim Limited (the “**Purchaser**”), a copy of which is tabled at the meeting and marked A and initiated by the Chairman of the meeting for identification purposes, pursuant to which the Company will sell to the Purchaser the 25.58% interest in Jiangsu Dartong M&E Co., Limited 江蘇大通機電有限公司 for a total consideration of HK\$40,768,000, 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 Jiangsu Agreement.”

NOTICE OF EGM

2. **“THAT:**

- (a) the conditional sale and purchase agreement (the **“Fuzhou Agreement”**) dated 6 January 2011 entered into between the Company and the Purchaser, a copy of which is tabled at the meeting and marked B and initiated by the Chairman of the meeting for identification purposes, pursuant to which the Company will sell to the Purchaser the 49% interest in Fuzhou Dartong Machinery and Electronic Company Limited 福州大通機電有限公司 for a total consideration of HK\$93,342,000, 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 Fuzhou Agreement.”

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

Hong Kong, 22 February 2011

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

NOTICE OF EGM

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 notarially certified copy thereof must be deposited at the Company's 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.