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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) 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 page 15 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 16 to 32 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, 11 June 2014 at 10:00 a.m. is set out on pages 37 to 38 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 Hong Kong branch share registrar and transfer office of the Company, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, 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.

26 May 2014

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DEFINITIONS

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

“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Citychamp”	冠城大通股份有限公司 (Citychamp Dartong Company Limited), a company established in the PRC and the shares of which are listed on the Shanghai Stock Exchange in the PRC
“Citychamp Group”	Citychamp and its subsidiaries
“Citychamp Sale Shares”	not more than 55,000,000 Citychamp Shares held by Starlex proposed to be sold to Fujian Fengrong pursuant to the Share Disposal Agreement, and “Citychamp Sale Share” shall mean any one of the Citychamp Sale Shares
“Citychamp Share(s)”	ordinary share(s) of RMB1.00 (equivalent to approximately HK\$1.25) each in the issued share capital of Citychamp
“Company”	China Haidian Holdings Limited 中國海澱集團有限公司, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed thereto in the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	consideration for the Citychamp Sale Shares payable by Fujian Fengrong pursuant to the Share Disposal Agreement
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the Share Disposal Agreement and the transactions contemplated thereunder

DEFINITIONS

“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
“GBP”	Great British Pounds, the lawful currency in the United Kingdom and the exchange rate between GBP and HK\$ for the purpose of this circular is GDP1 = HK\$13
“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 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minimum Selling Price”	the minimum selling price of RMB5.5 (equivalent to approximately HK\$6.88) per Citychamp Sale Share as stipulated under the Share Disposal Agreement

DEFINITIONS

“Ms. Lu”	陸曉珺 (Lu Xiaojun), a shareholder of Fujian Fengrong
“Ms. Sit”	薛黎曦 (Sit Lai Hei), a shareholder of Fujian Fengrong and an executive Director
“Permissible Price Range”	as defined in the sub-section headed “PRC regulatory restrictions” 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
“Previous Disposal”	the disposal of 52,000,000 Citychamp Shares by Starlex to Fujian Fengrong, details of which were disclosed in the Company’s announcements dated 22 April 2013 and 17 June 2013 and circular dated 24 May 2013
“RMB”	Renminbi, the lawful currency of the PRC, and the exchange rate for RMB into HK\$ for the purpose of this 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 2 May 2014 in respect of the Share Disposal
“Shareholder(s)”	holder(s) of the Share(s)
“Starlex”	Starlex Limited, a company established in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.



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

26 May 2014

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the announcement of the Company dated 2 May 2014 in respect of the Share Disposal.

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

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

2 May 2014

Parties

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

Purchaser: Fujian Fengrong

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

Fujian Fengrong is the single largest shareholder of Citychamp. As at the date of the Share Disposal Agreement and the Latest Practicable Date, Fujian Fengrong owned 349,104,078 Citychamp Shares, representing approximately 29.3% of the issued share capital of Citychamp.

Fujian Fengrong is owned as to approximately 68.5% by Ms. Sit and 31.5% by Ms. Lu. Ms. Sit is an executive Director and hence a connected person of the Company. In addition, both Ms. Sit and Ms. Lu are daughters-in-law of Mr. Hon Kwok Lung. Mr. Hon Kwok Lung, an executive Director, together with his wife collectively controlled approximately 66.9% of the Company as at the 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 more than 55,000,000 Citychamp Shares through the Shanghai Stock Exchange block trading system on a date on or before 31 December 2014.

The Share Disposal will be an one-off transaction.

PRC regulatory restrictions

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

LETTER FROM THE BOARD

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

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

Consideration

The transaction price per Citychamp Sale Share will be determined based on the closing price of the Citychamp Shares on the date of transaction and the Minimum Selling Price, whichever is higher, provided that such transaction price is within the Permissible Price Range. For illustrative purpose, the Consideration will be RMB302.5 million (equivalent to approximately HK\$378.1 million) for the disposal of the maximum of 55,000,000 Citychamp Sale Shares at the Minimum Selling Price.

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

- (i) a premium of approximately 9.6% over the closing price of RMB5.02 (equivalent to approximately HK\$6.28) per Citychamp Share on 30 April 2014, being the last trading day of the Citychamp Shares prior to the date of the Share Disposal Agreement;
- (ii) a premium of approximately 3.2% over the average closing price of approximately RMB5.33 (equivalent to approximately HK\$6.66) per Citychamp Share for the five trading days up to and including 30 April 2014;

LETTER FROM THE BOARD

- (iii) a discount of approximately 6.9% to the average closing price of approximately RMB5.91 (equivalent to approximately HK\$7.39) per Citychamp Share for the 30 trading days up to and including 30 April 2014;
- (iv) a discount of approximately 19.9% to the average closing price of approximately RMB6.87 (equivalent to approximately HK\$8.59) per Citychamp Share for the 180 trading days up to and including 30 April 2014;
- (v) a discount of approximately 19.2% to the average closing price of approximately RMB6.81 (equivalent to approximately HK\$8.51) per Citychamp Share for the 360 trading days up to and including 30 April 2014;
- (vi) a premium of approximately 10.2% to the closing price of approximately RMB4.99 (equivalent to approximately HK\$6.24) per Citychamp Share on the Latest Practicable Date;
- (vii) a premium of approximately 39.6% over the audited net asset value attributable to the owners of Citychamp of approximately RMB3.94 (equivalent to approximately HK\$4.93) per Citychamp Share as at 31 December 2013; and
- (viii) a premium of approximately 75.2% 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 provides a floor level in which the Company can dispose of the Citychamp Sale Shares at an acceptable price. The Directors (including the independent non-executive Directors) consider that the terms of the Share Disposal Agreement are fair and reasonable.

Conditions precedent

The Share Disposal is conditional upon the fulfillment of the following conditions: (i) the approval of the Share Disposal Agreement and the transactions contemplated thereunder by the Independent Shareholders having been obtained at the EGM; (ii) the higher of the closing price of the Citychamp Shares on the date of transaction and the Minimum Selling Price falls within the Permissible Price Range; (iii) Fujian Fengrong complies with the requirements under 《上市公司收購管理辦法》 (Administrative Measures for the Takeover of Listed Companies) and 《上海證券交易所上市公司控股股東、實際控制人行為指引》 (the Guidelines for the Conduct of the Controlling Shareholder and Beneficial Controller of a Company Listed on the Shanghai Stock Exchange); and (iv) the acknowledgement of the Shanghai Stock Exchange to proceed the transaction.

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

LETTER FROM THE BOARD

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

Transaction date and number of Citychamp Sale Shares

The Directors anticipate that the execution date of the Share Disposal and the number of Citychamp Sale Shares to be disposed of will be determined after taking into consideration of various factors including (i) the then market prices of the Citychamp Shares to realise gain on holding of the Citychamp Shares; (ii) the funding needs for any suitable investment opportunities arise; (iii) the working capital needs of the Group; (iv) the funding needs for future business plan; and (v) availability of suitable alternative funding means. The execution date of the Share Disposal and number of Citychamp Sale Shares to be disposed of will depend on the then circumstances and subject to further negotiation with Fujian Fengrong. As such, they cannot be ascertained in advance. Based on the current circumstances (including the current funding needs), the current intention of the Group is to realise gross proceeds of not less than HK\$150 million from the Share Disposal.

In order to safeguard the interest of the Independent Shareholders, Mr. Hon Kwok Lung and Ms. Sit Lai Hei, being common directors of the Company and Fujian Fengrong, will abstain from the approval of the exact date of the transaction and the number of Citychamp Sale Shares to be disposed of.

INFORMATION OF THE CITYCHAMP GROUP

Overview

The Citychamp Shares are listed on the Shanghai Stock Exchange. The Citychamp Group is principally engaged in property development and investment, and manufacture and sale of enamelled copper wires in the PRC. The 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\$1,409.1 million and approximately HK\$699.3 million as at 31 December 2012 and 31 December 2013 respectively. The Group received dividend income of approximately HK\$17.2 million and approximately HK\$31.0 million from Citychamp for each of the two years ended 31 December 2013 respectively. The Group also received 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 for the two years ended 31 December 2013 as extracted from Citychamp's 2013 annual report.

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

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

The unaudited net profit after taxation of the Citychamp Group were approximately RMB680.6 million (equivalent to approximately HK\$850.8 million) and approximately RMB80.2 million (equivalent to approximately HK\$100.3 million) for the first quarter of 2013 and 2014 respectively.

Information on the property interests of the Citychamp Group

Pursuant to the Rules 5.03 and 14A.59(6) of the Listing Rules, the Company is required to include in this circular information on the property interests of the Citychamp Group and an independent valuation thereof.

The Company has applied to the Stock Exchange for waivers from strict compliance with Rules 5.03 and 14A.59(6) of the Listing Rules on the following bases:

- (i) the Company is required to obtain information on the property interests of the Citychamp Group for compliance with Rules 5.03 and 14A.59(6) of the Listing Rules. Starlex should not have preferential treatment in obtaining additional information other than available public information when assessing the Share Disposal;

LETTER FROM THE BOARD

- (ii) the Company considers it impracticable and unduly burdensome to the Company and Citychamp to comply with Rules 5.03 and 14A.59(6) of the Listing Rules, taking into consideration that (a) Citychamp is not a party to the Proposed Share Disposal; and (b) the provision of information on its property interests (which are non-public information) by Citychamp to the Company would be in contrary to the principle of the Shanghai listing rules that all investors have simultaneous access to the same material information. Therefore, the disclosure of the information on the property interests of the Citychamp Group and a valuation report thereon in this circular would require simultaneous disclosure of the same information by Citychamp to its shareholders;
- (iii) the Directors have made an enquiry to Citychamp about the possibility of providing the Company the information of its property interests and assisting in the preparation of a valuation report thereon in compliance with Rules 5.03 and 14A.59(6) of the Listing Rules. However, Citychamp has refused to assist and provide the relevant information to the Company because it is not a party to the Share Disposal and the provision of the relevant information to the Company would be in breach of the relevant Shanghai listing rules that all investors shall have simultaneous access to the same material information;
- (iv) in the absence of the waivers, the Company cannot dispose of the Citychamp Shares if Citychamp declines to assist in preparing and disclosing the valuation report as Citychamp is not a party to the transaction. Under such circumstances, the Group cannot dispose of its non-core assets to raise funds for its core business, which is considered not in the interests of the Company and the Shareholders as a whole; and
- (v) given that (a) the Citychamp Shares are listed on the Shanghai Stock Exchange and the value of its equity should have been reasonably reflected in its share price; and (b) the selling price of the Citychamp Sale Shares will be determined with reference to the closing price of the Citychamp Shares on the date of transaction, the Shareholders shall have sufficient information to enable them to make an informed assessment of the Share Disposal. The omission of the underlying appraised value of properties of the Citychamp Group is not considered to be misleading for the Shareholders with regard to the facts and circumstances for assessment of the Share Disposal. Starlex did not consider the value of the properties of the Citychamp Group for determining the Minimum Selling Price.

The Stock Exchange has granted the Company waivers from strict compliance with Rules 5.03 and 14A.59(6) of the Listing Rules subject to the condition that this circular set out a summary of the property interests of the Citychamp Group as disclosed in its annual report for the year ended 31 December 2013.

LETTER FROM THE BOARD

The property interests of the Citychamp Group are mainly residential, office and commercial properties for sale and lease, self-owned residential, office, commercial and industrial properties for its operations, hotel and recreational properties for sale and land for industrial use. The residential, office and commercial properties for sale and lease are mainly located in Beijing, Nanjing, Suzhou, Fuzhou, Guilin and Nantong. The total gross floor area of properties for sale amounted to approximately 5.49 million square metres as at 31 December 2013. The total gross floor area of properties for lease amounted to approximately 39,800 square metres in 2013. Set out below is a summary of the carrying value of the property interests of the Citychamp Group as at 31 December 2013.

	Usage	Aggregate carrying value as at 31 December 2013 <i>RMB'000</i>
Inventory		
– Development cost	Office, residential and commercial	8,695,514
– Development for lease	Residential and commercial	151,878
– Development for sale	Residential and commercial	1,797,036
Fixed Asset – Buildings	Residential, commercial and industrial	777,867
Construction in progress	Hotel and recreational	95,897
Land	Industrial	58,397
Total		11,576,589

FINANCIAL EFFECT OF THE SHARE DISPOSAL

For illustration purpose only, based on disposal of the maximum of 55,000,000 Citychamp Sale Shares at the Minimum Selling Price, the gain from the Share Disposal would be approximately HK\$152 million, which is calculated with reference to the gross proceeds from the Share Disposal of approximately HK\$378.1 million, and deducting the average historical cost of approximately HK\$216.1 million of the 55,000,000 Citychamp Sale Shares to be disposed of and the related tax and transaction cost in aggregate of approximately HK\$10 million. The actual gain on the Share Disposal will be calculated on the date of completion of the Share Disposal.

As at the Latest Practicable Date, Starlex owned 85,389,058 Citychamp Shares, representing approximately 7.2% of the issued share capital of Citychamp. Upon completion of Share Disposal in full, Starlex will own 30,389,058 Citychamp Shares, representing approximately 2.6% of the issued share capital of Citychamp. The remaining Citychamp Shares to be held by Starlex will continue to be recorded as available-for-sale financial assets in the Group's accounts. Depending on the then circumstances, Starlex may sell the remaining Citychamp Shares after the Share Disposal in the next twelve months.

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.

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

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 2013, Fujian Fengrong and Starlex are parties acting in concert. The Directors consider that it is in the interest of the Company to sell the Citychamp Sale Shares to Fujian Fengrong instead of independent third parties as any reduction of the aggregate shareholding interests of Fujian Fengrong and Starlex may be perceived as negative news by 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.

USE OF PROCEEDS

As at 31 December 2013, the Group had cash and cash equivalents of approximately HK\$471.6 million. Subsequent to 31 December 2013, the Company completed an off-market share repurchase for a cash consideration of approximately HK\$255.2 million. On 11 April 2014, the Company paid GBP16.0 million (equivalent to approximately HK\$208 million) on completion of the acquisition of The Dreyfuss Group Limited as the first instalment. The net proceeds of the Share Disposal will strengthen the financial position of the Group.

It is intended that the net proceeds from the Share Disposal will be used to finance any potential strategic acquisitions or investments in watches and timepieces business and as general working capital for the Group. This is in line with the Group's strategy as stated in the 2013 annual report that the Group will keep on identifying and evaluating opportunities and undertake mergers, acquisitions and alliances that are in the best interest of the Shareholders. As at the Latest Practicable Date, the Group had not entered into any agreement in respect of any potential acquisition or investment. While there is yet to be any advanced negotiation of potential acquisition or investment, it is currently intended that, based on the net proceeds of approximately HK\$368 million, approximately HK\$143.0 million (equivalent to GBP11 million) of the net proceeds from the Share Disposal will be used for settling the deferred payments for the acquisition of The Dreyfuss Group Limited, and the remaining net proceeds as general working capital for the Group.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

It was disclosed in the Company's circular dated 24 May 2013 in respect of the Previous Disposal that it is intended that 55,000,000 Citychamp Shares will be disposed of if the selling price per share is at the minimum selling price and 58,000,000 Citychamp Shares will be disposed of if the selling price per share is above the minimum selling price on the transaction date. The Company obtained independent Shareholders' approval for the disposal of not less than 55,000,000 and not more than 58,000,000 Citychamp Shares by Starlex to Fujian Fengrong in June 2013. Subsequently, Fujian Fengrong requested to purchase only 52,000,000 Citychamp Shares. Starlex, having considered the possibility of disposing of additional Citychamp Shares on the secondary market of the Shanghai Stock Exchange, agreed to Fujian Fengrong's aforesaid request. Consequently, on 13 June 2013, Starlex disposed of in aggregate 58,600,000 Citychamp Shares to Fujian Fengrong and on the secondary market of the Shanghai Stock Exchange. Accordingly, the Company considers that the arrangement was in line with the aforesaid mechanism as disclosed in the Company's circular dated 24 May 2013.

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

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 11 June 2014 at 10:00 a.m. is set out on pages 37 to 38 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, Mr. Hon Kwok Lung and his associate controlled 2,949,387,515 Shares in aggregate, representing approximately 66.9% of the issued share capital of the Company, whereas Fujian Fengrong, its ultimate beneficial owners and its associates did not hold any Shares.

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 Hong Kong branch share registrar and transfer office of the Company, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, 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

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)

26 May 2014

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the circular of the Company to the Shareholders dated 26 May 2014 (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 16 to 32 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.

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.

Yours faithfully,

Independent Board Committee

Fung Tze Wa

Kwong Chun Wai, Michael

Li Qiang

Independent non-executive Directors

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

26 May 2014

*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 26 May 2014 (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 2 May 2014, Starlex, a wholly-owned subsidiary of the Company, and Fujian Fengrong entered into the Share Disposal Agreement, pursuant to which Starlex conditionally agreed to sell and Fujian Fengrong conditionally agreed to acquire not more than 55,000,000 Citychamp Shares through the Shanghai Stock Exchange block trading system on a date on or before 31 December 2014. In the event that the conditions set out in the Share Disposal Agreement are not satisfied by 31 December 2014, the Share Disposal Agreement shall be terminated and none of the parties shall have any claim against the other in respect of the termination.

Pursuant to the Share Disposal Agreement, the transaction price per Citychamp Sale Share will be determined based on the closing price of the Citychamp Shares on the date of transaction and the Minimum Selling Price (i.e. RMB5.50 per Citychamp Sale Share), whichever is higher, provided that such transaction price is within the Permissible Price

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Range. Based on the Minimum Selling Price, the Consideration will be RMB302.5 million (equivalent to approximately HK\$378.1 million) for the disposal of the maximum of 55,000,000 Citychamp Sale Shares.

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

The Previous Disposal and the Share Disposal (which are aggregated pursuant to Rule 14.22 of the Listing Rules) constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Fujian Fengrong is owned as to approximately 68.5% by Ms. Sit and 31.5% by Ms. Lu. Ms. Sit is an executive Director. 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 66.9% 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

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 businesses and information on Starlex

The Group is principally engaged in the manufacture and distribution of watches and timepieces and property investment, out of which watches and timepiece is its core business where this business segment accounted more than 90% of the Group's revenue and profit during the year ended 31 December 2013, and as at 31 December 2013, this business accounted for more than 60% of the Group's total assets.

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 between the period 23 May 2007 to 12 June 2013 and all increase in shareholdings during the aforesaid period (i.e. 101,269,058 Citychamp Shares) were relating to bonus issue of Citychamp Shares.

On 13 June 2013, Starlex sold 52,000,000 Citychamp Shares to Fujian Fengrong through the Shanghai Stock Exchange block trading system at a consideration of

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RMB392.6 million (RMB7.55 per Citychamp Share) and 6,600,000 Citychamp Shares in the secondary market of the Shanghai Stock Exchange at a consideration of approximately RMB49.5 million (approximately RMB7.50 per Citychamp Share). On 21 November 2013, Starlex further sold 30,000,000 Citychamp Shares to an independent third party at a consideration of RMB195.0 million (RMB6.50 per Citychamp Share) through the Shanghai Stock Exchange block trading system. Such transactions were entered into in the view of the Directors to realise part of its investments in Citychamp, which it has invested since 22 May 2007, at a gain. The net proceeds from the Previous Disposal as well as from the aforesaid sale of 36,600,000 Citychamp Shares is being used for financing strategic acquisition or investments in watches and time pieces business, which was in line with the Group's strategy, and as general working capital for the Group.

According to the management of the Company, Fujian Fengrong agreed to purchase 52,000,000 Citychamp Shares on 13 June 2013 and the terms of the transaction was then submitted and acknowledged by the Shanghai Stock Exchange on the same day. Accordingly, such block of Citychamp Shares was transacted through the Shanghai Stock Exchange block trading system during the permitted time slot after normal trading hours on 13 June 2013. On the same day, the Group also sold 6,600,000 Citychamp Shares in the secondary market of the Shanghai Stock Exchange during the normal trading hours. Given that the number of Citychamp Shares sold to Fujian Fengrong above was less than the minimum of 55,000,000 Citychamp Shares as approved by the then independent shareholders of the Company at the extraordinary general meeting of the Company held on 11 June 2013, the Group had not strictly adhered to the approved arrangement. However, as the Group had disposed of an aggregate of 58,600,000 Citychamp Shares on 13 June 2013 exceeding the range of Citychamp Shares it wished to dispose of under the Previous Disposal, the Directors did not further negotiate with Fujian Fengrong for the disposal of more Citychamp Shares. We are of the view that the abovementioned process was in line with the mechanism as disclosed in the Company's circular of 24 May 2013.

The Previous Disposal was approved on 11 June 2013. We note that the period between 8 and 12 June 2013 was public holiday in the PRC and there was no trading on the Shanghai Stock Exchange. We also note that between 24 May and 7 June 2013, the closing price per Citychamp Share had increased from RMB7.99 to the highest of RMB8.91 on 4 June 2013 before declining to RMB8.06 on 7 June 2013. Such price range was also the highest range within the twelve-month period prior to the issue of the Company's circular of 24 May 2013. According to the management of the Company, in view of the aforesaid share price performance of Citychamp and the number of Citychamp Shares which Fujian Fengrong agreed to purchase, a wholly-owned subsidiary of the Company and Fujian Fengrong agreed to the terms of the transaction on 13 June 2013 and informed the Shanghai Stock Exchange on the same day. Upon receipt of the Shanghai Stock Exchange's acknowledgment to the terms of the transaction, the block trade was conducted during the permissible time slot on 13 June 2013. Although the Company has a period of 3 months after the aforesaid approval to execute the Previous Disposal (i.e. from 11 June 2013 to 10 September 2013), in view of the past price performance of Citychamp Shares up to

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and including 7 June 2013 and the Company's objective to partially realise its interest in Citychamp, a non-core asset, at a gain and to strengthen its financial position, we believe that it was commercially sensible and reasonable for the Directors to decide to execute the Previous Disposal on 13 June 2013.

On the same basis, the Directors believe that the mechanism to determine the execution date of the Share Disposal and the number of Citychamp Shares to be disposed of shall take into account (i) the timing and number of Citychamp Shares Fujian Fengrong is willing to purchase; (ii) the price performance of the Citychamp Shares; (iii) the amount of possible gain which the Group may achieve; (iv) the funding needs for any suitable investment opportunities which arise; (v) the working capital needs of the Group; (vi) the funding needs for future business plan; and (vii) the availability of suitable alternative funding needs. As stated in the "Letter from the Board" of the Circular, based on the current circumstances (including the current funding needs), the current intention of the Group is to realise gross proceeds of not less than HK\$150 million from the Share Disposal. Given that (i) the aforesaid mechanism is consistent with the Previous Disposal, (ii) there is no difference compared with the Group's decision on when and how many Citychamp Shares to be disposed of in the secondary market of the Shanghai Stock Exchange during normal trading hours and (iii) the Group's current intention to realise gross proceeds of not less than HK\$150 million from the Share Disposal, we are of the view that the mechanism to determine the execution date of the Share Disposal and the number of Citychamp Shares to be disposed of is fair and reasonable.

(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 2012 and 2013 as extracted from the Group's 2013 annual report (the "2013 Annual Report"). For more details, please refer to the 2013 Annual Report posted on the Stock Exchange website (<http://www.hkexnews.hk>).

	For the year ended	
	31 December	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue of the continuing operations	2,240,304	3,176,423
Dividend income from available-for-sale financial assets	17,169	30,965
Net profit attributable to owners of the Company	270,425	565,434
Other comprehensive income – changes in fair value of available-for-sale financial assets	601,480	94,418

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Available-for-sale financial assets	1,409,176	699,408
Cash and cash equivalents	228,624	471,621
Total assets	5,261,137	6,273,631
Total liabilities	(1,305,018)	(1,711,587)

As disclosed in the 2013 Annual Report, for the year ended 31 December 2013, the Group's revenue of the continuing operations amounted to approximately HK\$3,176.4 million, representing an increase of approximately 41.8% as compared to approximately HK\$2,240.3 million recorded in 2012. This growth is being driven principally by Rossini and EBOHR. Their collective revenue grew by 19.4% from approximately HK\$1,397.6 million in 2012 to approximately HK\$1,669.4 million in 2013.

Net profit attributable to owners of the Group for the year ended 31 December 2013 amounted to approximately HK\$565.4 million representing an increase of approximately 109.1% as compared to an amount of approximately HK\$270.4 million recorded in 2012. Such increase was mainly attributable to the gain on disposal of 88,600,000 Citychamp Shares in 2013.

As at 31 December 2013, the Group had non-pledged cash and bank balances of approximately HK\$471.6 million (2012: approximately HK\$228.6 million). Based on the borrowings of approximately HK\$597.8 million (2012: approximately HK\$478.5 million) and the shareholders' equity of approximately HK\$4,315.1 million (2012: approximately HK\$3,789.0 million), the Group's gearing ratio (being borrowings divided by shareholders' equity) was approximately 14% (2012: approximately 13%).

(c) Business outlook

As described in the 2013 Annual Report, there are uncertainties surrounding the slackening growth and production rates in Mainland China. However, it is expected that the PRC Government's determination to divert its investment driven economy to one of domestic consumption oriented growth and to control financial risks and rein in credit expansion will lead to relatively stable long-term economic growth.

Meanwhile, the global economy is on track of mild recovery. The United States is the driver for global economic growth and at the same time, Europe and Japan are also on their course of recovery. In Mainland China, slipping economic growth and lower inflationary pressure leave room to the PRC Government for accommodative monetary policy and pro-growth policy. It is expected that the Central Government will gradually loosen the monetary policy and step up pro-growth policy in 2014. As a result, the economy in Mainland China will post a moderate recovery. Such macro-economic perspectives should have favorable impact on the performance of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Going forward, as stated in the 2013 Annual Report, the Group would keep on identifying and evaluating opportunities and undertake mergers, acquisitions and alliances deals in the watches and timepieces business 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 1,190,558,059 Citychamp Shares in issue and the market capitalisation was approximately RMB5,940.9 million (equivalent to approximately HK\$7,426.1 million), of which, Fujian Fengrong and Starlex owned 349,104,078 Citychamp Shares and 85,389,058 Citychamp Shares, representing approximately 29.3% and 7.2% of the issued share capital of Citychamp respectively. Fujian Fengrong and Starlex are respectively 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 enamelled copper wire production plants of the Citychamp Group are located in Fujian and Jiangsu provinces, the PRC. The enamelled copper wires produced by the Citychamp Group are mainly used in colour display, colour picture tube, televisions conversion machinery, air-conditioning compressors, electrical machinery and equipment, automobiles, electrical tools and transformers. 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 2012 and 2013 as extracted from the Citychamp Group's 2013 annual report (the "Citychamp 2013 Annual Report"). For more details, please refer to the Citychamp 2013 Annual Report posted on Shanghai Stock Exchange's website (<http://www.sse.com.cn>).

	For the year ended	
	31 December	
	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Revenue	6,256,272	8,255,480
Net profit attributable to owners of Citychamp	830,837	1,277,775

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December	
	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Cash and cash equivalents	2,000,408	907,864
Net asset value attributable to the owners of Citychamp	3,578,172	4,691,568

As disclosed in the Citychamp 2013 Annual Report, for the year ended 31 December 2013, the Citychamp Group's revenue amounted to approximately RMB8,255.5 million, representing an increase of approximately 32.0% as compared to an amount of approximately RMB6,256.3 million recorded in 2012. Such increase was mainly due to (i) the continued urbanisation of rural areas in the PRC driving the demand for housing; (ii) the PRC Government trying to rein in home price rises via increasing supply with the housing policies preference for market-oriented tactics allowing cities to address their own housing problems without imposing nationwide policies; and (iii) the increasing demand for enamelled copper wires as a result of the global economic recovery.

Net profit attributable to owners of Citychamp for the year ended 31 December 2013 amounted to approximately RMB1,277.8 million representing an increase of approximately 53.8% as compared to an amount of approximately RMB830.8 million recorded in 2012. Such increase in 2013 was mainly attributable to the positive contribution by the property development arm of Citychamp. The enamelled copper wires production arm also performed better in 2013 after repositioning effects imposed on its products in response to the increasing market competition.

As at 31 December 2013, the Citychamp Group had cash and cash equivalent of approximately RMB907.9 million (2012: approximately RMB2,000.4 million). Based on the borrowings of approximately RMB3,711.5 million (2012: approximately RMB2,284.0 million) and the shareholders' equity of approximately RMB6,086.8 million (2012: RMB5,031.1 million), the Citychamp Group's gearing ratio (being borrowings divided by shareholders' equity) was approximately 61.0% (2012: approximately 45.4%).

As at 31 December 2012 and 2013, the audited net asset value of the Citychamp Group was approximately RMB3,578.2 million and RMB4,691.6 million respectively. Based on 1,176,804,059 and 1,190,558,059 Citychamp Shares in issue in 2012 and 2013 respectively, the net asset value per Citychamp Share as at the respective financial year end dates were approximately RMB3.04 and RMB3.94 respectively.

(c) Business outlook

As abovementioned, due to the continued urbanisation of rural areas in the PRC, the imposition of market-oriented housing price control tactics and the continual rise in the disposable income of the general public, the demand for

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

housing is expected to remain strong. Hence, Citychamp expects the PRC property market in general will continue to develop steadily in 2014. However, Citychamp expects that the future of enamelled copper wires business will be challenging due to the intensified competition.

3. Reasons for and benefits of the Share Disposal

As described in paragraph 4(a) below, the share price of Citychamp has been on a decreasing trend since August 2013. Based on our discussion with the Directors, they believe the pressure on the share price of Citychamp could be due to the negative sentiment surrounding the PRC property market. We noted that since August 2013, the Shanghai Property Index has declined from around 4,000 levels to approximately 3,200 currently. The Directors are of the view that the uncertainties currently surrounding the PRC property market may result in continued weakness to share prices of PRC property companies. As the Citychamp Shares currently held by the Group are its non-core asset, we understand from the Directors that the Share Disposal will provide a good opportunity for the Group to partially and gradually realise its interest in Citychamp at a gain and to strengthen its financial position, in particular, in anticipation of further expansion of the Group's watches and timepieces business.

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 in 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 of the Share Disposal.

Based on the Minimum Selling Price, the Consideration will be RMB302.5 million (equivalent to approximately HK\$378.1 million) for the disposal of the maximum of 55,000,000 Citychamp Sale Shares. 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 to finance any strategic acquisition or investments in watches and time pieces business and as general working capital for the Group. According to our discussion with the management of the Company, it is the Group's business strategy (also stated in the 2013 annual report) that it will keep on identifying and evaluating opportunities and undertake mergers, acquisitions and alliances that are in the best interest of the Shareholders. We also note from our discussion with the management of the Company that the Group has been presented with business opportunities from time to time, but there has not been any concrete decision nor advanced negotiation so far. As at the Latest Practicable Date, the Group had not entered into any agreement in respect of any potential acquisition or investment. While there is yet to be any advanced negotiation of any potential acquisition or investment, it is the Group's current intention to use approximately HK\$143.0 million (equivalent to GBP 11 million) of the net proceeds from the Share Disposal for settling the deferred payments of the acquisition of The Dreyfuss Group Limited, and the remaining net proceeds as general working capital for the Group.

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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 2012 and 2013; and has also considered the business outlook of Citychamp Group's property and enamelled copper wire businesses as described in paragraph 2 above. Despite being positive over the longer term, 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 and redeploy the proceeds towards its core business.

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 fact that it is a non-core asset, the reasons and benefits and recent market trends set out in this paragraph, as well as the possible financial effect 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.

(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. RMB5.50, equivalent to approximately HK\$6.88), 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 negotiation between Starlex and Fujian Fengrong taking into consideration the prevailing closing prices of the Citychamp Shares and the possible change in market condition and provides a floor level in which the Company can dispose of the Citychamp Sale Shares at an acceptable price. The Minimum Selling Price represents:

- (i) a premium of approximately 9.6% over the closing price of RMB5.02 (equivalent to approximately HK\$6.28) per Citychamp Share on 30 April 2014, being the last trading day of the Citychamp Shares prior to the date of the Share Disposal Agreement;

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- (ii) a premium of approximately 3.2% over the average closing price of approximately RMB5.33 (equivalent to approximately HK\$6.66) per Citychamp Share for the five trading days up to and including 30 April 2014;
- (iii) a premium of approximately 10.2% to the closing price of RMB4.99 (equivalent to approximately HK\$6.24) per Citychamp Share on the Latest Practicable Date; and
- (iv) a premium of approximately 39.6% over the audited net asset value attributable to the owners of Citychamp of approximately RMB3.94 (equivalent to approximately HK\$4.93) per Citychamp Share as at 31 December 2013; and
- (v) a premium of approximately 75.2% 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.

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

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 1 April 2013 to 30 April 2014 (the “**Review Period**”) and up to the Latest Practicable Date:

	Highest <i>RMB</i>	Lowest <i>RMB</i>	Average <i>RMB</i>
2013			
April	6.91	6.09	6.46
May	8.90	6.79	7.51
June	9.00	7.38	8.04
July	9.13	7.90	8.35
August	8.87	8.20	8.54
September	8.30	7.25	7.83
October	7.83	7.09	7.44
November	7.25	6.80	7.03
December	7.22	6.41	6.83
2014			
January	6.70	5.60	6.08
February	6.79	5.74	6.41
March	6.20	5.64	5.87
April	6.27	5.02	5.88
May (5 to the Latest Practicable Date)	4.99	4.74	4.90

Source: Shanghai Stock Exchange

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As shown in the table above, the Citychamp Shares were trading (i) in the range of RMB5.02 (the lowest) to RMB9.13 (the highest) on or before 30 April 2014; (ii) the average monthly/period closing prices decreased from RMB8.54 (the highest between April 2013 and April 2014) in August 2013 to RMB5.88 in April 2014; (iii) in the range of RMB4.74 (the lowest) to RMB4.99 (the highest) from the date of entering into of the Share Disposal Agreement on 2 May 2014 to the Latest Practicable Date; and (iv) at an average closing price of RMB4.90 since the entering into of the Share Disposal Agreement on 2 May 2014 to the Latest Practicable Date.

As shown in the table above, the price of the Citychamp Shares had continued to decline since September 2013 to a comparatively low level at the Latest Practicable Date. While we note that the Company is seeking Independent Shareholders' approval to dispose of the Citychamp Sale Shares as contemplated under the Share Disposal Agreement when the market price of the Citychamp Shares is currently trading at a declining trend, we have considered (i) the Directors' view on the fact that uncertainties currently surrounding the PRC property market may result in continued weakness to share prices of PRC property companies as mentioned in paragraph 3 above; (ii) the Company's current intention on the use of proceeds as described in paragraph 3 above; and (iii) the fact that the Share Disposal provides a good opportunity for the Group to realise some of its investments in Citychamp at a gain as described in paragraph 5 below. Based on the above, we are of the view that it is fair and reasonable for the Company to enter into the Share Disposal Agreement on 2 May 2014.

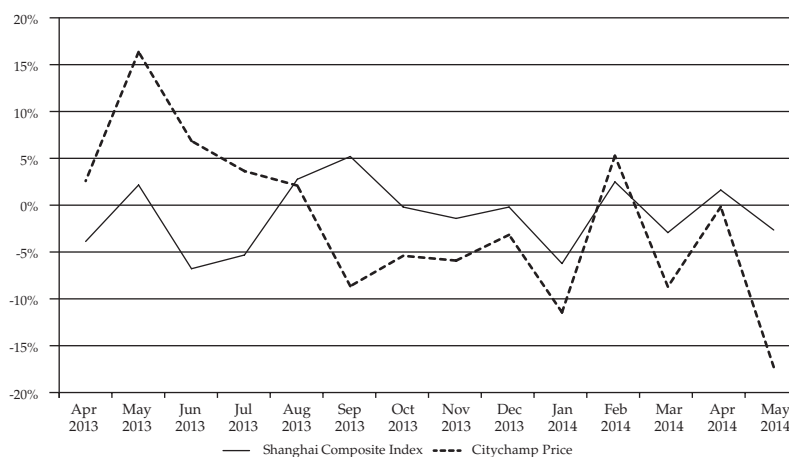
It is noted that the Directors believe that the Minimum Selling Price provides flexibility for the Company to accommodate any change in market condition. Taking into account the above analysis and noticing that (i) the Share Disposal will take place on a date on or before 31 December 2014; (ii) the lowest average closing price of Citychamp Shares since April 2013 was RMB5.87 in the Review Period; (iii) the average closing price of Citychamp Shares gradually decreased from RMB8.54 (the highest in the Review Period) in August 2013 to RMB5.88 in April 2014; (iv) the selling price per Citychamp Share in the Previous Disposal to Fujian Fengrong and independent third parties as described in paragraph 1(a); and (v) the average closing price having remained below RMB5.50 from the date of entering into of the Share Disposal Agreement on 2 May 2014 to the Latest Practicable Date, we concur with the Directors and are of the view that setting the Minimum Selling Price at RMB5.50 per Citychamp Sale Share is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(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 in the Review Period and set out in the chart below.



Source: Shanghai Stock Exchange

As shown in the chart above, it is noted that the price movements of Citychamp Shares in the Review Period 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 Share 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) The number of Citychamp Sale Shares

As at the date of the Share Disposal Agreement and the Latest Practicable Date, Starlex owned 85,389,058 Citychamp Shares, representing approximately 7.2% 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 more than 55,000,000 Citychamp Shares (representing approximately 64.4% of the entire shareholding in Citychamp held by Starlex).

Pursuant to the Share Disposal Agreement, the Share Disposal will be conducted via the Shanghai Stock Exchange block trading system. Please refer to the section headed “PRC regulatory restrictions” in the “Letter from the Board” of the Circular for further details of the Shanghai Stock Exchange block trading system.

Upon completion of the Share Disposal in full, Starlex will remain to own 30,389,058 Citychamp Shares, representing approximately 2.6% of the issued share capital of Citychamp. Depending on the then circumstances, Starlex may sell the remaining Citychamp Shares after the Share Disposal in the following twelve months.

We have reviewed the trading volume of the Citychamp Shares and set out in the table below our findings during each month/period in the Review Period and up to the Latest Practicable Date:

Total number of Citychamp Shares in issue	1,190,558,059
Starlex' holdings	85,389,058
Fujian Fengrong's holdings	349,104,078
Total number of Citychamp Shares held by others	756,064,923

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	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 to total number of Citychamp Shares held by Starlex and parties acting in concert with it (being Fujian Fengrong) as at the Latest Practicable Date %
2013			
April	25,012,790	2.101%	3.308%
May	37,971,670	3.189%	5.022%
June	37,400,234	3.141%	4.947%
July	31,935,446	2.682%	4.224%
August	21,130,491	1.775%	2.795%
September	19,907,263	1.672%	2.633%
October	15,341,219	1.289%	2.029%
November	9,385,725	0.788%	1.241%
December	9,429,792	0.792%	1.247%
2014			
January	14,035,628	1.179%	1.856%
February	16,883,111	1.418%	2.233%
March	20,066,726	1.685%	2.654%
April	15,374,571	1.291%	2.033%
May (5 to the Latest Practicable Date)	9,545,714	0.802%	1.263%

As shown in the table above, the average daily trading volume (i) was in the range of 9,385,725 Citychamp Shares (the lowest) to 37,971,670 Citychamp Shares (the highest) in the Review Period; (ii) the average daily trading volume of the Citychamp Shares has not reached 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 37,971,670 (the highest in the Review Period) in May 2013 to 15,374,571 in April 2014; and (iv) the average daily trading volume of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Citychamp Shares was 9,545,714 Citychamp Shares since the entering into of the Share Disposal Agreement on 2 May 2014 to the Latest Practicable Date.

Taking into account that (i) after partially realising the Group's interest in Citychamp, Starlex will remain to hold approximately 2.6% of the issued share capital of Citychamp; and (ii) 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 gradually and partially realise the Group's interest in Citychamp on a date on or before 31 December 2014 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 of the Share Disposal.

(c) Payment method

As described in the "Letter from the Board" of the Circular, the Share Disposal shall take place on a date on or before 31 December 2014. 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, which is calculated by reference to the average historical cost of approximately HK\$216.1 million of the 55,000,000 Citychamp Sale Shares to be disposed of under the Share Disposal, the Consideration for the Citychamp Sale Shares of RMB302.5 million (equivalent to approximately HK\$378.1 million), and the related tax and transaction costs in aggregate of approximately HK\$10 million; the gain from the Share Disposal would be approximately HK\$152.0 million. The actual gain on the Share Disposal will be calculated on the date of completion of the Share Disposal.

As at the Latest Practicable Date, Starlex owned 85,389,058 Citychamp Shares, representing approximately 7.2% of the issued share capital of Citychamp. Upon Completion of the Share Disposal in full, Starlex's interest in Citychamp will be approximately 2.6% of the issued share capital of Citychamp. The remaining Citychamp Shares held by Starlex will continue to be recorded as available-for-sale financial assets in the Group's accounts.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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
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 Directors	Nature of interest	Number of Shares held	Percentage of shareholding
Hon Kwok Lung	Corporate interests (<i>Note</i>)	2,944,513,515	66.83%
	Beneficial owner	3,500,000	0.08%
	Family interests	1,374,000	0.03%
		<u>2,949,387,515</u>	<u>66.94%</u>
Shang Jianguang	Beneficial owner	8,000,000	0.18%
Shi Tao	Beneficial owner	5,000,000	0.11%
Lam Toi Man	Beneficial owner	3,500,000	0.08%
Fung Tze Wa	Beneficial owner	3,500,000	0.08%

Note: 1,194,513,515 Shares are held by Sincere View International Limited, which is owned as to 80% and 20% by Mr. Hon Kwok Lung and his spouse, Ms. Lam Suk Ying, respectively. 1,750,000,000 Shares were held by Full Day, which is wholly-owned by Mr. Hon Kwok Lung. 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\$
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 2013, 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 2013, 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 2013, 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 2014:

- (a) the Share Disposal Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 15 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 16 to 32 of this circular; and
- (d) the written consent referred to in the section headed "Expert and consent" in this appendix.

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, 11 June 2014 at 10:00 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 2 May 2014 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 conditionally agreed to sell and Fujian Fengrong conditionally agreed to acquire not more than 55,000,000 ordinary shares of 冠城大通股份有限公司 (Citychamp Dartong Company Limited) through the Shanghai Stock Exchange block trading system on a date on or before 31 December 2014, 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, 26 May 2014

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 Hong Kong branch share registrar and transfer office of the Company, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, 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.