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CITYCHAMP WATCH & JEWELLERY GROUP LIMITED

冠城鐘錶珠寶集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 256)

DISCLOSEABLE TRANSACTION DISPOSAL OF A SUBSIDIARY

DISPOSAL

On 23 March 2017 (after trading hours), EB Investments, Pacific Timber and Bright Merit (all being the wholly-owned subsidiaries of the Company) and Shenzhen Kangtian have entered into a Disposal Agreement, pursuant to which, the Sellers agreed to sell and Shenzhen Kangtian agreed to acquire the entire equity interests of Seti Timber for a consideration of RMB1,400,000,000 (equivalent to approximately HK\$1,568,000,000).

LISTING RULES IMPLICATION

As more than one applicable percentage ratios in relation to the Disposal are more than 5% but less than 25%, and none of the applicable percentage ratio is more than 25%, the Disposal constitutes a disclosable transaction of the Company, and is subject to the disclosure and announcement requirements pursuant to Chapter 14 of the Listing Rules.

INTRODUCTION

On 23 March 2017 (after trading hours), EB Investments, Pacific Timber and Bright Merit (all being the wholly-owned subsidiaries of the Company) and Shenzhen Kangtian have entered into a Disposal Agreement, pursuant to which, the Sellers agreed to sell and Shenzhen Kangtian agreed to acquire the entire equity interests of Seti Timber for a consideration of RMB1,400,000,000 (equivalent to approximately HK\$1,568,000,000). The principal terms of the Disposal Agreement are set out as follows:

DISPOSAL AGREEMENT

Date

23 March 2017 (after trading hours)

The Sellers: EB Investments (a wholly-owned subsidiary of the Company)
Pacific Timber (a wholly-owned subsidiary of the Company)
Bright Merit (a wholly-owned subsidiary of the Company)

(collectively known as the “Sellers”)

The Purchaser: Shenzhen Kangtian

To the best of the Directors’ knowledge, information and belief, after having made all reasonable enquiries, Shenzhen Kangtian and its ultimate beneficial owners are the third parties independent of the Company and its connected persons.

Equity interests to be transferred

The entire equity interests of Seti Timber, which are held by EB Investments, Pacific Timber and Bright Merit as to 54.80%, 26.93% and 18.27% respectively as at the date of this announcement.

The equity transfer will be conducted by two phases, details of which are as follows:

First Phase of the Equity Transfer

Pacific Timber and Bright Merit will transfer 26.93% and 18.27% of equity interests held in Seti Timber (45.20% in aggregate) to Shenzhen Kangtian. After the completion of the First Phase of the Equity Transfer, EB Investments and Shenzhen Kangtian will hold 54.80% and 45.20% of equity interests in Seti Timber, respectively.

Second Phase of the Equity Transfer

EB Investments will transfer 54.80% of equity interests held in Seti Timber to Shenzhen Kangtian. After the completion of the Second Phase of the Equity Transfer, Shenzhen Kangtian will hold the entire equity interests in Seti Timber, and Seti Timber will cease to be a subsidiary of the Group.

Consideration

The consideration of the disposal of 100% of equity interests in Seti Timber under the Disposal Agreement amounts to RMB1,400,000,000 (equivalent to approximately HK\$1,568,000,000).

The payment terms of the consideration are as follows:

- (i) Deposit: HK\$200,000,000 (approximately RMB178,571,000) will be settled within 3 working days after signing the Disposal Agreement;
- (ii) 1st phase of consideration: approximately RMB454,229,000 (equivalent to approximately HK\$508,736,000), being RMB632,800,000 (equivalent to approximately HK\$708,736,000), the corresponding consideration of 45.20% equity interests in Seti Timber, netting off the amounts of Deposits will be settled within 1 working day after the industrial and commercial registration formalities regarding the First Phase of the Equity Transfer is completed; and
- (iii) 2nd phase of consideration: RMB767,200,000 (equivalent to approximately HK\$859,264,000) being the corresponding consideration of 54.80% equity interests in Seti Timber will be settled on the Completion Date.

Pursuant to the Disposal Agreement, the Disposal does not include the following equity interests directly or indirectly held by Seti Timber: (i) the entire equity interests in Seti Trading; (ii) 73% of equity interests in Guangzhou Five Goat; and (iii) the entire equity interests in Permanence Commerce. Accordingly, Seti Trading, Guangzhou Five Goat and Permanence Commerce will remain as subsidiaries of the Group after the completion of the Disposal.

The consideration of the Disposal is determined on the basis of arm's length negotiation between the Sellers and Shenzhen Kangtian after considering (i) the unaudited total asset values and net asset value of Seti Timber as at 31 December 2016; (ii) the registered capital of US\$45,525,800 of Seti Timber; and (iii) the factors as set out in the paragraph headed "Reasons and Benefits of the Disposal" in this announcement.

Completion Date

Completion Date is the date when all of the following events have been fulfilled:

- (i) The industrial and commercial registration formalities for changes related to the transfer of the entire equity in Seti Timber has been completed; and
- (ii) Shenzhen Kangtian obtains the new business license of Seti Timber after the registration formalities mentioned above in (i) have been completed.

FINANCIAL IMPACTS OF THE DISPOSAL AND USE OF PROCEED

It is expected that the Company would recognize unaudited gain on disposal of approximately HK\$1 billion from the Disposal. The proceeds from the Disposal is proposed to be used for (i) general working capital of the Group; (ii) further expansion of watch business and financial business; and (iii) capturing potential prime investment opportunities and projects.

REASONS AND BENEFITS OF THE DISPOSAL

The Group is mainly engaged in the manufacturing and distribution of watch and timepiece, property investment and financial business. The Group has been making adjustments to its business portfolio. On one hand, the Group continues to develop and expand our watch business. On the other hand, the Group has actively embarked on financial business. By realizing the long-term investments through the Disposal, the Group will strengthen its financial position and facilitate resource allocation to achieve the goals of the business expansion and diversification mentioned above.

After considering the factors above, the Directors considered that the Disposal and the terms under the Disposal Agreement are fair and reasonable and in the interests of the Company and Shareholders as a whole.

GENERAL INFORMATION OF SETI TIMBER, THE SELLERS AND THE PURCHASER

INFORMATION OF SETI TIMBER

Seti Timber is a company established in the PRC with limited liability with registered capital of US\$45,525,800. As at the date of the announcement, it is held 54.80% of equity interest by EB Investments, 26.93% by Pacific Timber and 18.27% by Bright Merit, respectively. It is mainly engaged in investment holding.

The unaudited total asset values and net asset value of Seti Timber for the financial year ended 31 December 2016 was approximately RMB418,384,000 (equivalent to approximately HK\$468,590,000) and approximately RMB372,234,000 (equivalent to approximately HK\$416,902,000), respectively. The following is the net profit (including net profit before and after taxation) for the two financial years ended 31 December 2015 and 31 December 2016:

	For the year ended 31 December 2015 (extracted from PRC unaudited account)		For the year ended 31 December 2016 (extracted from PRC unaudited account)	
	<i>(Approximately RMB)</i>	<i>(Approximately HK\$)</i>	<i>(Approximately RMB)</i>	<i>(Approximately HK\$)</i>
Net profit before taxation	39,577,000	44,326,000	8,061,000	9,029,000
Net profit after taxation	37,968,000	42,524,000	6,125,000	6,860,000

The Sellers

The Sellers are engaged in investment holding business, and all of which are wholly-owned subsidiaries of the Company. The Group is mainly engaged in production and distribution of watches and timepieces, property investment and financial business.

Shenzhen Kangtian

Shenzhen Kangtian is a company incorporated in the PRC with limited liability, which is mainly engaged in investment in commercial enterprise, investment in scientific enterprise, real estate development and management, property management and construction project.

LISTING RULES IMPLICATION

As more than one applicable percentage ratios in relation to the Disposal are more than 5% but less than 25%, and none of the applicable percentage ratio is more than 25%, the Disposal constitutes a disclosable transaction of the Company, and is subject to the disclosure and announcement requirements pursuant to Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	The board of Directors
“Bright Merit”	Bright Merit Investment Limited, a company incorporated in British Virgin Islands with limited liability, being a wholly-owned subsidiary of the Company and holding 18.27% equity interest in Seti Timber
“Company”	Citychamp Watch & Jewellery Group Limited (冠城鐘錶珠寶集團有限公司), 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 to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the Sellers’ proposed disposal of the entire equity interests in Seti Timber pursuant to the terms under the Disposal Agreement
“Disposal Agreement”	the agreement dated 23 March 2017 entered into between the Sellers and Shenzhen Kangtian in relation to the transfer of the entire equity interests of Seti Timber

“EB Investments”	EB Investments Holdings Limited, a company incorporated in Bermuda with limited liability, being a wholly-owned subsidiary of the Company and holding 54.80% equity interest in Seti Timber
“Group”	the Company and its subsidiaries
“Guangzhou Five Goat”	Guangzhou Five Goat Watch Co., Limited, a company established in the PRC with limited liability, which is held 73% and 5% of equity interests by Seti Trading and Zhuhai Rossini Watch Industry Limited (a 91% subsidiary of the Group), respectively as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Pacific Timber”	Pacific Timber Holding Limited, a company incorporated in British Virgin Islands with limited liability, being the wholly-owned subsidiary of the Company and holding 26.93% equity interest in Seti Timber
“Permanence Commerce”	Shenzhen Permanence Commerce Co., Limited, a company established in the PRC with limited liability, which is held 56.52% and 43.48% of equity interests by Seti Timber and Seti Trading, respectively as at the date of this announcement
“PRC”	the People’s Republic of China, for the purpose of this announcement, not including Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Reminbi, the lawful currency of the PRC
“Seti Timber”	Seti Timber Industry (Shenzhen) Co., Ltd., a company established in the PRC with limited liability, which is held 54.80% of equity interest by EB Investments, 26.93% by Pacific Timber and 18.27% by Bright Merit, respectively as at the date of this announcement
“Seti Trading”	Shenzhen Seti Trading Development Company Limited, a company established in the PRC with limited liability, which is wholly held by Seti Timber as at the date of this announcement

“Shareholder(s)”	the holder(s) of shares of the Company
“Shenzhen Kangtian”	Shenzhen Kangtian Urban Development Investment Co., Ltd. (深圳康田城市更新投資有限公司*), a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

For illustration only, the exchange rate adopted in this announcement is RMB1.00: HK\$1.12.

By order of the Board
Citychamp Watch & Jewellery Group Limited
Hon Kwok Lung
Chairman

Hong Kong, 23 March 2017

As at the date of this announcement, the Board comprises Mr. Hon Kwok Lung, Mr. Shang Jianguang, Mr. Shi Tao, Mr. Lam Toi Man, Mr. Bi Bo, Ms. Sit Lai Hei, Mr. Hon Hau Wong and Mr. Tao Li as the executive Directors; and Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael, Mr. Zhang Bin and Mr. Rudolf Heinrich Escher as the independent non-executive Directors.

* *For identification only*