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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)

(1) VERY SUBSTANTIAL ACQUISITION

ACQUISITION OF NOT LESS THAN 68.85% INTEREST IN VALARTIS BANK (LIECHTENSTEIN) AG

(2) RESUMPTION OF TRADING IN THE SHARES

Financial adviser to the Company



SHARE PURCHASE AGREEMENT

On 24 March 2016 (after trading hours), the Company and the Sellers entered into the Share Purchase Agreement pursuant to which, among other things, the Sellers conditionally agreed to sell and the Company conditionally agreed to purchase the Seller 1 Sale Shares, representing 68.85% interest in the Bank. In addition, each of the Minority Investors has the right, during the Minority Investor Election Period, to accede to the Share Purchase Agreement and to sell all or part of its/his/her Minority Investor Sale Shares, representing in aggregate up to 29.45% interest in the Bank, on the same terms and conditions as Seller 1.

The Consideration for the Sale Shares is up to CHF110,500,000 (equivalent to HK\$895,050,000), subject to adjustment described in the paragraph headed “Adjustment of the Consideration” and shall be settled in cash by two instalments.

Upon Completion, the Bank will become a subsidiary of the Company and the results, assets and liabilities of the Bank will be consolidated into the financial statements of the Group.

As Completion is conditional upon the fulfilment and/or waiver (if applicable) of the conditions precedent set out in the Share Purchase Agreement. The Acquisition may or may not proceed. Shareholders and investors are advised to exercise caution when dealing in the Shares

LISTING RULES IMPLICATION

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Therefore, the Acquisition is subject to the reporting, announcement and shareholders' approval requirements at the EGM by way of poll.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 29 March 2016 pending the publication of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 7 April 2016.

GENERAL

The circular containing, among other things: (i) details of the Acquisition; (ii) financial information of the Bank; (iii) other information as required under the Listing Rules; and (iv) the notice of the EGM is expected to be despatched to the Shareholders on or before 26 May 2016, which is more than 15 business days (as defined under the Listing Rules) after the publication of this announcement, as the Company requires additional time to prepare necessary information for inclusion in the circular.

SHARE PURCHASE AGREEMENT

On 24 March 2016 (after trading hours), the Company and the Sellers entered into the Share Purchase Agreement pursuant to which, among other things, Seller 1 conditionally agreed to sell and the Company conditionally agreed to purchase the Seller 1 Sale Shares, representing 68.85% interest in the Bank. In addition, each of the Minority Investors has the right, during the Minority Investor Election Period, to accede to the Share Purchase Agreement and to sell all or part of its/his/her Minority Investor Sale Shares, representing in aggregate up to 29.45% interest in the Bank, on the same terms and conditions as Seller 1.

The principal terms and conditions of the Share Purchase Agreement are as follows:

Date

24 March 2016

Parties

- (i) the Company;
- (ii) Seller 1; and
- (iii) the representatives on behalf of the Minority Investor Sellers.

Seller 1 is a company incorporated in Vaduz, Liechtenstein with limited liability and is a 100% owned subsidiary of Valartis Group AG. Valartis Group AG is an international banking and finance group which is listed on the SIX Swiss Exchange.

The Minority Investor Sellers are up to 37 individuals and corporations, certain of which are members of the board of directors of the Bank, management and employees of the Bank.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Sellers and its ultimate beneficial owner(s), where applicable, are third parties independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the Share Purchase Agreement, Seller 1 conditionally agreed to sell and the Company conditionally agreed to acquire the Seller 1 Sale Shares, being all shares and participation certificates held by Seller 1 as at the date of the Share Purchase Agreement, representing 68.85% interest in the Bank, free and clear from any encumbrances.

In addition, each of the Minority Investors has the right, during the Minority Investor Election Period, to accede to the Share Purchase Agreement and to sell all or part of its/his/her shares and participation certificates such Minority Investor held in the Bank, representing in aggregate up to 29.45% interest in the Bank, on the same terms and conditions as Seller 1.

As at the date of this announcement, the Bank has 100 registered Class A shares, 135,900 registered Class B shares and 64,000 bearer participation certificates in issue. The Sellers hold, in aggregate 100 registered Class A shares, 135,900 registered Class B shares and 60,600 participation certificates of the Bank. The remaining 1.7% interest in the Bank, being 3,400 participation certificates, is held by the Bank itself as treasury stock.

Holders of the Class B shares have the right to receive double dividends, i.e. double the amount of dividends paid to the holders of Class A shares and the participation certificates. There are no differences in the voting rights between Class A shares and Class B shares. Participation certificates do not give any right to the holders to vote at the shareholders' meeting.

Consideration

The Consideration consists of the sum of (i) CHF77,394,964 (equivalent to approximately HK\$626,899,208), including the amount of IC-Loan (including certain costs and accrued interest) to be paid by the Company on behalf of Seller 1, for the Seller 1 Sale Shares; and (ii) up to CHF33,105,036 (equivalent to approximately HK\$268,150,792), including the aggregate amount of all loans (and accrued interest) to be paid by the Company to Banque Cramer on behalf of each of the Minority Investor Sellers, for the Minority Investor Sale Shares, at a price of approximately CHF562.05 (equivalent to approximately HK\$4,552.61) per Minority Sale Share. Therefore, the total Consideration would be no more than CHF110,500,000 (equivalent to HK\$895,050,000) for the Acquisition, subject to adjustment as described in the paragraph headed "Adjustment of the Consideration" below. The Consideration shall be settled by the Company (or its nominee(s)) in the following manner:

- (i) CHF7,739,000 (equivalent to HK\$62,685,900) (the "**Deposit**"), being approximately 10% of the consideration payable for the Seller 1 Sale Shares, was paid by the Company in cash into an escrow account to be jointly established by the Company and the Sellers after signing of the Share Purchase Agreement and shall be released to the Sellers in accordance with the terms of the Share Purchase Agreement and the escrow agreement entered into between the Parties and the escrow agent; and
- (ii) up to CHF102,761,000 (equivalent to HK\$832,364,100), being the remaining Consideration shall be paid by the Company in cash upon Completion.

The Deposit is not refundable if Seller 1 demonstrates that all the conditions precedent for the Acquisition have been fulfilled by the Long Stop Date and the Company is unable to complete the Acquisition by the Long Stop Date (the "**Non-refundable Event**"). Save for the occurrence of the Non-refundable Event, in the event any of the conditions precedent has not been entirely fulfilled by the Long Stop Date and either the Company or the Sellers elects to rescind the Share Purchase Agreement, the Deposit shall be refunded to the Company within five Business Days after delivery of the rescission notice pursuant to the Share Purchase Agreement.

The Company intends to finance the Consideration by its internal resources.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Company and the Sellers having taken into account, amongst others, (i) the historical financial results of the Bank, and (ii) the future prospects of the Bank.

Adjustment of the Consideration

Pursuant to the terms of the Share Purchase Agreement, the Consideration shall be subject to adjustment as per Completion based on the difference between the 2015 Equity Portion, being the total shareholders' equity of the Bank of CHF59,570,932 (equivalent to approximately HK\$482,524,549) as at 31 December 2015, and the Recalculated Equity Portion, being the total shareholders' equity of the Bank as at Completion. If the Recalculated Equity Portion is higher than the 2015 Equity Portion, the Company shall pay to the Sellers the difference between the Recalculated Equity Portion and the 2015 Equity Portion on a dollar-for-dollar basis. If the Recalculated Equity Portion is lower than the 2015 Equity Portion, the Sellers shall pay to the Company the difference between the Recalculated Equity Portion and the 2015 Equity Portion on a dollar-for-dollar basis.

In addition, if the assets under management of the Bank at the date of Completion are higher than CHF3,370,711,000 (equivalent to HK\$27,302,759,100), the Company shall pay 1.225% of the difference between the assets under management of the Bank at the date of Completion and CHF3,370,711,000 (equivalent to HK\$27,302,759,100), up to a maximum of CHF1,500,000 (equivalent to HK\$12,150,000).

Conditions precedent

Completion is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

- (i) all necessary regulatory notifications and approvals for Completion shall have been made with or obtained from the FMA Liechtenstein either unconditionally or subject to the satisfaction of certain conditions or commitments reasonably required by the FMA Liechtenstein (the fulfillment of said conditions or commitments shall not be beyond the control of either of the Company and the Sellers);
- (ii) clearance shall have been obtained from the Stock Exchange for the circular relating to the transaction contemplated by the Share Purchase Agreement to be prepared pursuant to the Listing Rules;
- (iii) the transaction as contemplated in the Share Purchase Agreement shall have been approved by the competent judge – which approval requires pre-approval by the Seller 1's creditors and, until Valartis Bank (Austria) AG, also being a creditor of Seller 1, has given its consent, which is required by the approval of financial market authority in Austria (at least as long as Valartis Bank (Austria) AG has an Austrian banking license), and has returned its banking licence – or the competent judge shall have explained that no approval is required;

- (iv) no action shall be pending and no order, injunction or decree of any competent court, administrative body or arbitration tribunal exists which seeks to enjoin, restrain, impede or levy a substantial difficulty on the consummation of the transactions contemplated under the Share Purchase Agreement and in particular the transfer of the Sale Shares;
- (v) the following agreements have been signed and are enforceable: (a) the release agreement(s) to be signed between the Minority Investor Sellers and Banque Cramer for the release of Minority Investor Shares from the pledge in favour of Banque Cramer upon Completion, (b) the termination and release agreement between the Seller and the Bank according to which all and any security granted under or in connection with the IC-Loan shall be released and returned to the Seller upon Completion; and
- (vi) the Company has paid the Deposit.

As at the date of this announcement, condition (vi) above has been fulfilled. If any of the conditions precedent has not been fulfilled or waived (where so permitted) by the Sellers or the Company (as the case may be) on or before Long Stop Date, Seller 1 or the Company may rescind the Share Purchase Agreement by giving notice to the other party unless such party itself acted in bad faith, and in doing, prevented, hindered, frustrated or interfered with the satisfaction of the relevant condition precedent.

Completion

Completion shall take place five Business Days after all conditions precedent to the Share Purchase Agreement have been satisfied or waived (where so permitted) or on such other date as the Company and the Sellers may agree.

Upon Completion, the Bank will become a subsidiary of the Company and the results, assets and liabilities of the Bank will be consolidated into the financial statements of the Group.

INFORMATION OF THE BANK

Overview

The Bank is a share corporation incorporated in Liechtenstein with limited liability. The Bank was founded in 1998 and is a fully licensed bank with headquarters in the principality of Liechtenstein. The Bank is the fifth largest Liechtenstein based private bank by the amount of assets under management as at December 2014 according to Liechtenstein Bankers Association and in the sixth place out of a total of 15 banks in the financial centre of Liechtenstein based on the volumes managed and profit after tax. The Bank conducts all transactions associated with it being an asset management bank in Liechtenstein and abroad with principal activities include accepting client deposits and investing them on stock exchanges and in financial centres, grants loans as part of its asset management business. As at 23 March 2016, the Bank managed assets of around CHF3.4 billion (equivalent to approximately HK\$27.5 billion) with around 100 employees.

Financial information

The following table sets out the profit (before and after tax) of the Bank for each of the two years ended 31 December 2014 as extracted from the annual reports of the Bank for the financial years ended 31 December 2013 and 2014, and half-year results report of the Bank for the six months ended 30 June 2015:

	For the six months ended 30 June 2015		For the year ended 31 December 2014		For the year ended 31 December 2013	
	<i>CHF'000</i>	<i>Equivalent to HK\$'000</i>	<i>CHF'000</i>	<i>Equivalent to HK\$'000</i>	<i>CHF'000</i>	<i>Equivalent to HK\$'000</i>
Profit before tax	8,913	72,195	19,468	157,691	16,094	130,361
Profit after tax	7,799	63,172	17,127	138,729	14,477	117,264

As at 30 June 2015, the unaudited net asset value of the Bank was approximately CHF61.4 million (equivalent to approximately HK\$497.3 million) based on its half-year results report for the six months ended 30 June 2015.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

The Directors are of the view that the Acquisition will provide an opportunity for the Group to participate in the banking industry and allow the Group to diversify from its existing businesses. According to the annual reports of the Bank, net profit of the Bank grew from approximately CHF3.4 million (equivalent to approximately HK\$27.5 million) in 2010 to approximately CHF17.1 million (equivalent to approximately HK\$138.5 million) in 2014. The Bank offers traditional investment advisory and asset management services for clients not only in traditional European markets but also acquiring emerging markets through multilingual coverage desks catering to clients from different markets. Further, with the outlook and confidence in the future prospects of the banking industry, the Directors believe that the Acquisition provides an opportunity for the Group to diversify its business and broaden its revenue streams.

As at the date of this announcement, the Company has not entered and does not have any concrete plan to enter, into any agreement, arrangement, undertaking and negotiation to dispose of or downsize the existing businesses of the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Share Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Therefore, the Acquisition is subject to the reporting, announcement and shareholders' approval requirements at the EGM by way of poll.

The EGM will be convened and held to consider and, if thought fit, pass the resolution(s) to approve, the Share Purchase Agreement and the transactions contemplated thereunder, including the Acquisition. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Sellers are third parties independent of the Company and its connected persons and no Shareholder has any material interest in the Acquisition which is different from other Shareholders, no Shareholder is required to abstain from voting at the EGM.

The circular containing, among other things: (i) details of the Acquisition; (ii) financial information of the Bank; (iii) other information as required under the Listing Rules; and (iv) the notice of the EGM, is expected to be despatched to the Shareholders on or before 26 May 2016, which is more than 15 business days (as defined under the Listing Rules) after the publication of this announcement, as the Company requires additional time to prepare necessary information for inclusion in the circular.

As Completion is conditional upon the fulfilment and/or waiver (if applicable) of the conditions precedent set out in the Share Purchase Agreement. The Acquisition may or may not proceed. Shareholders and investors are advised to exercise caution when dealing in the Shares.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 29 March 2016 pending the publication of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 7 April 2016.

DEFINITIONS

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

“2015 Equity Portion”	the total shareholders’ equity of the Bank of CHF59,570,932 (equivalent to approximately HK\$482,524,549) as at 31 December 2015, as determined by the unaudited financial statements of the Bank for the financial year ended 31 December 2015, consisting of reserves for general banking risks, capital, general legal reserves, retained earnings, profit carried forward and post-tax profit deducted by dividends, if any
“Acquisition”	the proposed acquisition by the Company from the Sellers of the Sale Shares
“Bank”	Valartis Bank (Liechtenstein) AG, a Liechtenstein share corporation, having its registered office in Gamprin-Bendern, Liechtenstein

“Board”	the board of Directors
“Business Day(s)”	any day(s) other than Saturday or Sunday on which banks are open for business in Liechtenstein and Hong Kong
“CHF”	Swiss Franc, the lawful currency of Liechtenstein
“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
“Completion”	completion of the Share Purchase Agreement pursuant to the terms and conditions thereof
“connected persons”	has the meanings ascribed to it under the Listing Rules
“Consideration”	consideration for the Sale Shares to be paid by the Company to the Sellers of up to CHF110,500,000 (equivalent to HK\$895,050,000) pursuant to the Share Purchase Agreement
“Deposit”	as defined in the sub-section headed “Consideration”
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of, considering and if thought fit, approving the Share Purchase Agreement and the transaction contemplated thereunder
“FMA Liechtenstein”	Financial Market Authority Liechtenstein
“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 People’s Republic of China
“IC-Loan	the credit agreement between the Bank and Seller 1 dated 28 August 2014 under which the Bank granted Seller 1 a loan in the amount of CHF43.2 million (equivalent to approximately HK\$349.9 million) as amended by an amendment agreement between the parties dated 25 February 2015, 27 February 2015, 2 March 2015 and 17 March 2015
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	23 September 2016 (being the date within six months from the date of the Share Purchase Agreement) or such other date as Seller 1 and the Company may mutually agree
“Minority Investor Election Period”	the period from the date of signing of the Share Purchase Agreement till the date falling six weeks from the date of the Share Purchase Agreement
“Minority Investor Sale Shares”	the registered shares and bearer participation certificates of the Bank to be sold by the Minority Investor Seller(s) to the Company
“Minority Investor Seller(s)”	minority holder(s) of the registered shares and bearer participation certificates of the Bank who elect to accede to the Share Purchase Agreement and to sell all or part of its/ his/her shares and participation certificates of the Bank to the Company, other than Seller 1 and the Bank itself
“Minority Investor(s)”	minority investor(s) of the Bank
“Non-refundable Event”	as defined in the sub-section headed “Consideration”
“Parties”	the Company together with the Sellers
“Recalculated Equity Portion”	the total shareholders’ equity of the Bank as at Completion, as determined by the final accounts as at the date of Completion
“Sale Shares”	collectively, Seller 1 Sale Shares and the Minority Investors Sale Shares
“Seller”	each of Seller 1 and the Minority Investor Seller(s) of the Bank
“Seller 1”	Valartis Finance Holding AG, a company incorporated in Vaduz with limited liability and a 100% owned subsidiary of Valartis Group AG
“Seller 1 Sale Shares”	the 100 registered Class A shares, 120,900 registered Class B shares of the Bank and 16,700 participation certificates of the Bank
“Sellers”	collectively, Seller 1 and the Minority Investor Seller(s)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company

“Share Purchase Agreement”	the share purchase agreement dated 24 March 2016 entered into among the Company and the Sellers in relation to the Acquisition
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

For the purpose of this announcement, unless otherwise indicated, conversion of CHF into HK\$ is calculated at the approximate exchange rate of CHF1.0 to HK\$8.1. This exchange rate is adopted for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate or at all.

By order of the Board of
Citychamp Watch & Jewellery Group Limited
Fong Chi Wah
Chief Financial Officer & Company Secretary

Hong Kong, 6 April 2016

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 who are the executive Directors, and Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael, Mr. Li Qiang and Mr. Zhang Bin, who are the independent non-executive Directors.