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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)

FURTHER INFORMATION IN RELATION TO THE DISCLOSEABLE TRANSACTION

On 24 March 2017, the Company received the deposit of HK\$200,000,000 (equivalent to approximately RMB178,571,000) for the Disposal according to the term of the Disposal Agreement.

Further information in relation to the Disposal is stated in this announcement.

Reference is made to the announcement of the Company dated 23 March 2017 in relation to the disposal of Seti Timber.

RECEIPT OF THE DEPOSIT

On 24 March 2017, the Company received the deposit of HK\$200,000,000 (equivalent to approximately RMB178,571,000) for the Disposal according to the term of the Disposal Agreement.

EQUITY INTERESTS TO BE TRANSFERRED

First Phase of the Equity Transfer

The Sellers and Shenzhen Kangtian shall provide all necessary documents to the Market and Quality Supervision Commission of Shenzhen Municipality for the transfer of 26.93% and 18.27% of equity interests held in Seti Timber (45.20% in aggregate) to Shenzhen Kangtian within 20 business days following the date of the Disposal Agreement.

Second Phase of the Equity Transfer

Following completion of the below events, 54.80% of equity interests held in Seti Timber will be transferred to Shenzhen Kangtian:

- (i) All necessary documents for the transfer of 54.80% of equity interests in Seti Timber to Shenzhen Kangtian have been signed and all information and documents have been transferred to Shenzhen Kangtian in accordance to the Disposal Agreement;
- (ii) Seti Timber has transferred all assets and liabilities in its account to the Group except for the buildings and land use rights of the Target Assets. The remaining assets and liabilities which cannot be transferred shall be owned by Seti Timber with their rights and obligations transferred to the Sellers or its nominee and shall be guaranteed by the Sellers to be equivalent to RMB300 million (equivalent to approximately HK\$336 million) and liquidated in cash;
- (iii) Seti Timber and the Sellers have terminated the employment contracts of the staff of Seti Timber and settled all outstanding compensation thereof, if any; and
- (iv) Seti Timber has terminated all existing contracts except for the relevant agreements in relation to the Target Assets and settled all outstanding compensation thereof, if any.

INFORMATION OF SETI TIMBER

Seti Timber, through its subsidiaries, is principally engaged in manufacturing, sale and trading of watches and it owns the Target Assets. The equity interests in all of the subsidiaries, namely Seti Trading, Guangzhou Five Goat and Permanence Commerce will be retained by the Group following completion of the Disposal Agreement. The net book value of the Target Assets was approximately RMB33.9 million (or equivalent to approximately HK\$38.0 million) as at 31 December 2016 whereas the appraised value of the Target Assets was approximately RMB1,089.2 million (equivalent to approximately HK\$1,219.9 million) as at 18 February 2017 as assessed by an independent valuer. The annual rental income generated from the Target Assets was approximately RMB10.6 million (equivalent to approximately HK\$11.9 million) and RMB10.9 million (equivalent to approximately HK\$12.2 million) for the years ended 31 December 2015 and 2016, respectively.

REASONS FOR 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 watch business accounted for approximately 99.48% of the revenue of the Group for the year ended 31 December 2015. The Group has been making adjustments to its business portfolio. On one hand, the Group continues to develop and expand its watch business. On the other hand, the Group has actively embarked on financial business. On 20 September 2016, the Company completed the acquisition of approximately 83.22% interest in Bendura Bank (Formerly Known Valartis Bank (Liechtenstein) AG). For further information of such acquisition, please refer to the circular of the Company dated 26 August 2016. Considering the Target Assets have been used of over 20 years and are expected to incur substantial maintenance cost in the future and the average annual return yield of the Target Assets is not optimal, the Directors believe that the Disposal can benefit the Company with the gain and the net proceeds from the Disposal. By realizing the long-term investments through the Disposal with an unaudited gain of approximately HK\$1.0 billion and an expected net proceeds from the Disposal of approximately HK\$1.4 billion, the Group will strengthen its financial position and facilitate resource allocation to its watch and business and financial business.

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.

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 Investments 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
“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
“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
“sq. m.”	square metre(s)
“Sellers”	collectively, EB Investments, Pacific Timber and Bright Merit
“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
“Target Assets”	a land for industrial and manufacturing use with an area of 52,894 sq. m. in Shenzhen which is currently leased out; a property with a building area of 10,524 sq. m. in Shenzhen which is currently leased out; a property with a building area of 5,141 sq. m. in Shenzhen which is currently leased out; and an industrial factory in Shenyang with a building area of 9,038 sq. m. which is currently unoccupied and unused
“%”	per cent

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.0 to HK\$1.12. 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
Hon Kwok Lung
Chairman

Hong Kong, 28 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.