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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)

PROFIT WARNING

This announcement is made by Citychamp Watch & Jewellery Group Limited (the “Company”, together with its subsidiaries, the “Group”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

The board of directors (the “Board”) of the Company wishes to inform the shareholders and potential investors of the Company that, based on the estimation by the Board of the Group’s latest unaudited management accounts and other information currently available, net profit of the Group for the six months ended 30 June 2017 is expected to record a substantial decrease as compared to that of the corresponding period of 2016. The decrease in net profit was mainly attributable to (i) a net loss on fair value changes in trading portfolio investment of the Group of approximately HK\$44 million for the six months ended 30 June 2017 as compared to a net gain of approximately HK\$66 million for the corresponding period last year; and (ii) the less favorable operating environment in the watch market, especially the market in which European brands operate, and the continuously weak retail industry during the first half of 2017.

On 23 March 2017, Bright Merit Investments Limited (“Bright Merit”), Pacific Timber Holding Limited (“Pacific Timber”) and EB Investments Holdings Limited (“EB Investments”), all being the wholly-owned subsidiaries of the Company, entered into an equity transfer agreement with Shenzhen Kangtian Urban Development Investment Co., Ltd.. Pursuant to the agreement, Bright Merit and Pacific Timber agreed to dispose 18.27% and 26.93% equity interests they respectively held in Seti Timber Industry (Shenzhen) Co., Ltd., (“Seti Timber”) (the “First Phase of the Equity Transfer”), and EB Investments agreed to dispose 54.80% equity interests it held in Seti Timber (the “Second Phase of the Equity Transfer”) (collectively, the “Disposal”). The aggregate consideration for the Disposal amounted to RMB1,400,000,000 (equivalent to approximately HK\$1,568,000,000).

Details of the Disposal are contained in the announcements of the Company dated 23 March 2017 and 28 March 2017. As at the date of this announcement, the First Phase of the Equity Transfer has been completed and the Company has received RMB632,800,000 (equivalent to approximately HK\$723,483,000), representing 45.20% of the aggregate consideration. As of the date of this announcement, as the controlling interest of Seti Timber is still held by the Group, the gain generated by the Group from the First Phase of the Equity Transfer was recognized as reserve opposed to income for the six months ended 30 June 2017. The Company expects that the Second Phase of the Equity Transfer will be completed and the remaining consideration of RMB767,200,000 (equivalent to approximately HK\$844,517,000) will be received during the second half of 2017. The Company is expected to record a total gain of approximately HK\$1 billion and to receive net proceeds of approximately HK\$1.4 billion from the Disposal.

As the information contained in this announcement is only a preliminary assessment made by the Board based on the latest unaudited management accounts of the Group and other information currently available, which is subject to further adjustments and finalization. The relevant information and accounts have not been audited and reviewed by the Company's independent auditors and have not been confirmed by the audit committee. The Group's results for the six months ended 30 June 2017 is expected to be published on 30 August 2017.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 24 August 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.