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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)**

### **VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION RELATING TO THE DISPOSAL OF SALE SHARES AND SALE LOANS OF THE TARGET COMPANIES**

**Financial Adviser to the Company**



#### **THE DISPOSAL**

The Board is pleased to announce that after trading hours on 16 December 2020, the Company, the Purchaser and the Purchaser's Guarantor entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares and the Sale Loans of the Target Companies.

The consideration comprises (i) the consideration for the Sale Shares of HK\$1,500,000,000 (HK\$1.5 billion); and (ii) the consideration for the Sale Loans of HK\$2,030,000,000 (HK\$2.03 billion) (being the face value of the Sale Loans as at 30 June 2020), to be paid by the Purchaser (or its nominee(s)) to the Company (or its nominee(s)), subject to adjustment at Completion. The gross proceeds to be received by the Company from the Disposal shall be HK\$3,530,000,000 (HK\$3.53 billion), which will be settled in four stages by the Purchaser by (i) a cashier order issued by a licensed bank in Hong Kong, (ii) a banker's draft drawn against a licensed bank in Hong Kong, (iii) by telegraphic transfer to the designated bank accounts of the Company (or its nominee(s)) (or as the Company may direct in writing, or (iv) by such other method as the Purchaser and the Company agree in writing. Upon Completion, the Company will cease to have any interest in the Disposal Group.

## **SPECIAL DIVIDEND**

Subject to approval of the Shareholders at the EGM and Completion taking place, the Board intends to declare the Special Dividend of not less than HK\$0.13 per Share to the Shareholders whose names appear on the register of members of the Company on a record date to be determined. A further announcement will be made by the Company in this regard as and when appropriate.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio under the Listing Rules in respect of the Disposal exceeds 75%, if materialized, the Disposal will constitute a very substantial disposal of the Company pursuant to Chapter 14 of the Listing Rules. As such, the transactions contemplated under the Disposal are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Also, as at the date of this announcement, the Purchaser is indirectly owned by Mr. Hon and Ms. Lam Suk Ying, spouse of Mr. Hon, as to 80% and 20%, respectively. As Mr. Hon is the chairman of the Board and the controlling shareholder of the Company, the Purchaser is an associate of Mr. Hon and thus a connected person of the Company. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement, circular and Independent Shareholders' approval at the EGM.

## **GENERAL**

The Company will convene an EGM to consider and, if thought fit, approve the Sale and Purchase Agreement and the Disposal contemplated thereunder. An Independent Board Committee comprising all the independent non-executive Directors will be established by the Company to consider the Sale and Purchase Agreement and the transactions contemplated under the Disposal and to advise the Independent Shareholders as to whether the Sale and Purchase Agreement and the transactions contemplated under the Disposal are on normal commercial terms or better and fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

A circular containing, among other things, (i) further details of the Disposal; (ii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders regarding the Disposal; and (iv) a notice of the EGM will be dispatched to the Shareholders on or before 8 January 2021.

**Completion of the Disposal may or may not proceed as it is subject to a number of conditions which may or may not be fulfilled. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.**

## **INTRODUCTION**

The Board is pleased to announce that after trading hours on 16 December 2020, the Company, the Purchaser and the Purchaser's Guarantor entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares and the Sale Loans of the Target Companies.

The principal terms of the Sale and Purchase Agreement are set out below.

## **THE SALE AND PURCHASE AGREEMENT**

### **Date**

16 December 2020 (after trading hours)

### **Parties**

Vendor:	the Company
Purchaser:	Tycoon Idea Global Limited, a company incorporated in British Virgin Islands with limited liability
Purchaser's Guarantor:	Sincere View International Ltd., a company incorporated in British Virgin Islands with limited liability

### **Assets to be disposed of**

Subject to the terms and conditions of the Sale and Purchase Agreement, the Company, as the legal and beneficial owner, has conditionally agreed to sell the Sale Shares and the Sale Loans, and the Purchaser has conditionally agreed to purchase the Sale Shares and the Sale Loans, free from all Encumbrances and together with all rights and entitlements which the Company has in the Sale Shares and the Sale Loans with effect from the Completion Date.

The Sale Shares represent all the issued shares of each of International Volant, EB Brand, Jia Cheng, Joyful Surplus, Sharptech, Unique Leader and Sure Best. The Sale Loans represent the entire sum owing by the Disposal Group to the Company as at the Completion Date. As at the date of the Sale and Purchase Agreement, the amount of the Sale Loans is HK\$2,030,000,000 (HK\$2.03 billion). The Sale Loans are principally general working capital loans provided by the Company for operation of business of the Disposal Group.

## Consideration

The Consideration comprises (i) the consideration for the Sale Shares of HK\$1,500,000,000 (HK\$1.5 billion); and (ii) the consideration for the Sale Loans of HK\$2,030,000,000 (HK\$2.03 billion) (being the face value of the Sale Loans at 30 June 2020), to be paid by the Purchaser (or its nominee(s)) to the Company (or its nominee(s)), subject to adjustment at Completion. The gross proceeds to be received by the Company from the Disposal shall be HK\$3,530,000,000 (HK\$3.53 billion) and shall be settled by the Purchaser in the following stages:

- (a) the consideration for the Sale Shares being HK\$1,500,000,000 shall be settled by way of cash at Completion;
- (b) the consideration for the Sale Loans of HK\$2,030,000,000 shall be settled in the following manner:
  - (i) HK\$400,000,000 (HK\$400 million) shall be offset by the Special Dividend at Completion (“**First Payment**”);
  - (ii) minimum of HK\$0.2 billion and maximum of HK\$1.8 billion, plus Interest within one year from the Completion Date (“**Second Payment**”);
  - (iii) minimum of HK\$0.2 billion and maximum of HK\$1.6 billion, plus Interest within the second year from the Completion Date (“**Third Payment**”); and
  - (iv) the remaining balance of up to HK\$1.4 billion, plus Interest within the third year from the Completion Date (“**Fourth Payment**”) (collectively, the “**Payments**”).

The settlement of the consideration for the Sale Loans in four payments was arrived at after arm’s length negotiations between the Company and the Purchaser on normal commercial terms. Given that the Company has yet to identify specific potential acquisition targets and taking into account the prevailing low and fluctuating market interest rates, the Company considers that the settlement of the consideration for Sale Loans in four payments will yield stable interest and financial return to the benefit of and is in the best interests of the Company and the Shareholders as a whole. In addition, as the Company considers that the consideration for Sale Shares is sufficient for current operations of the Remaining Group, the Company is of the view that the settlement of the consideration for Sale Loans in four payments will be able to facilitate the use of proceeds from the Sale Loans over the next three years more effectively.

The Company has conducted an internal risk assessment on the Sale Loans arrangement. To the best knowledge, information, and belief of the Directors, having made all reasonable enquiries, both the Purchaser and the Purchaser’s Guarantor have sufficient assets to repay the Sale Loans.

The Payments shall be settled in Hong Kong dollars by (i) a cashier order issued by a licensed bank in Hong Kong in favour of the Company, (ii) a banker's draft drawn against a licenced bank in Hong Kong, (iii) telegraphic transfer to the designated bank accounts of the Company (or its nominee(s)) (or as the Company may direct in writing), or (iv) such other method as the Purchaser and the Company agree in writing.

### **Adjustment of the Consideration**

If the difference of either net asset value of the Disposal Group and each of the members of Remaining Group or Sale Loans of Disposal Group and Remaining Group as shown in the Accounts and Completion Accounts does not exceed 20%, no adjustment of the Consideration shall be made.

If the difference between either net asset value of the Disposal Group and Remaining Group or Sale Loans of Disposal Group and each of the members of Remaining Group as shown in the Accounts and Completion Accounts exceeds 20%, then the First Payment shall be adjusted based on the exceeding amount to be settled by way of cash at Completion.

### **Basis of the Consideration**

The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser on normal commercial terms and making reference to (i) the net asset value of the Disposal Group as at 30 June 2020; (ii) potential change of net asset value of the Disposal Group from 1 July 2020 to the Completion Date; (iii) the business prospects of the Disposal Group; and (iv) the factors set out in the section headed "Reasons for and Benefits of the Disposal" below.

Accordingly, the Directors consider that the Consideration and the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

### **Conditions Precedent**

Completion shall be subject to and conditional upon the following conditions:

- (1) the Company has obtained the Independent Shareholders' approval in relation to the Sale and Purchase Agreement and the Disposal contemplated thereunder in accordance with the requirements of the Listing Rules;
- (2) all necessary consents, authorisations, licenses and approvals for or in connection with the operation of the Business having been obtained, granted and not withdrawn or revoked by third parties (including without limitation, government bodies, stock exchange and other relevant authorities having jurisdiction over the transactions contemplated under the Disposal);

- (3) no Material Adverse Change has occurred before or on the Completion Date;
- (4) the Purchaser has been reasonably satisfied with the results of the legal, business, and financial due diligence reviews of the Disposal Group and each of its major business lines in respect of all material or substantive aspects;
- (5) no notice, order, judgment, action or legal proceedings by any court, arbitrator, governmental authority, statutory or regulatory authority restricting, prohibiting or criminalising any transaction under the Sale and Purchase Agreement or reasonably likely to have a material adverse effect on the right of the Purchaser to own the legal and beneficial title to the Sale Shares and the Sale Loans free from any Encumbrance has been received or noticed by the Company;
- (6) the Company's warranties made under the Sale and Purchase Agreement are true, accurate, and correct and not misleading and will at all times hereafter up to and including the Completion Date, remain to be true, accurate and correct and not misleading in all material respects; and
- (7) the Purchaser's warranties made under the Sale and Purchase Agreement are true, accurate, and correct and not misleading and will at all times hereafter up to and including the Completion Date, remain to be true, accurate and correct and not misleading in all material respects.

If any of the Conditions (which has not previously been waived by the Purchaser, other than condition (1) in the section headed "Conditions Precedent" of this announcement) has not been duly fulfilled to the satisfaction of the Purchaser on or before the Conditions Fulfilment Date (or any other date as agreed by the parties in writing), the Purchaser may by notice to the Company (in the event that the Company is unable or unwilling to comply with his obligations under the Sale and Purchase Agreement) or the Company may by notice to the Purchaser (in the event that the Purchaser is unable or unwilling to comply with its obligations under the Sale and Purchase Agreement):

- (a) waive the Conditions which have not been satisfied (other than condition (1) in the section headed "Conditions Precedent" of this announcement);
- (b) postpone the Completion Date to a date (being a Business Day) falling not more than 10 Business Days after the date set for Completion and if the Purchaser elects to postpone the Completion Date, then the provisions of the Sale and Purchase Agreement shall apply as if the date set for Completion were the date to which the Completion Date is so postponed; or
- (c) require the non-satisfaction of such Conditions or such part thereof to be rectified within 10 Business Days from the Company's receipt of the Purchaser's notice, failing which the Sale and Purchase Agreement shall be terminated by written notice of the Purchaser.

The Parties may mutually agree in writing to terminate this Agreement then all rights and obligations of the parties shall cease immediately upon termination according to terms and conditions of the Sale and Purchase Agreement.

### **Completion**

Completion shall take place on the Completion Date when the parties shall exchange the respective documents and the business shall be transacted according to the terms and conditions of the Sale and Purchase Agreement.

As at the date of this announcement, each member of the Disposal Group is directly wholly-owned by the Company. Upon Completion, the Company will cease to have any interest in the Disposal Group and the financial information of Disposal Group will no longer be consolidated into the Group's consolidated financial statements.

Completion shall take place as soon as practicable but in any event not later than the Long Stop Date.

### **FINANCIAL IMPACT OF DISPOSAL**

The Group expects to record an unaudited profit before tax as a result of the Disposal of approximately HK\$16 million, being the difference between the Consideration and (i) the unaudited carrying value of the disposed assets attributable to Shareholders as at 30 June 2020 and (ii) the estimated transaction costs to be incurred from the Disposal, subject to adjustment as at the Completion Date. The above figures are for illustrative purpose only. The actual gain in connection with the Disposal will be determined based on the net proceeds received, the financial position of the Disposal Group at Completion and subject to the review and final audit by the auditors of the Company.

### **USE OF PROCEEDS**

The net proceeds of the Disposal of approximately HK\$1.9 billion (i.e. the aggregate of the consideration for the Sale Shares and the First Payment), after deducting the transaction costs, will be used by the Group in the following manner:

- (i) approximately 60% or HK\$1.2 billion for the repayment of bank loans of the Remaining Group;
- (ii) not less than approximately 30% or HK\$570 million for the distribution of Special Dividend to the Shareholders (representing Special Dividend of not less than HK\$0.13 per Share based on the number of outstanding Shares as at the date of this announcement); and
- (iii) remaining balance for general working capital of the Remaining Group.

The remaining net proceeds of the Disposal of approximately HK\$1.6 billion (i.e. the aggregate of the Second Payment, Third Payment and Fourth Payment) will be used by the Group over the next three years in the following manner:

- (i) approximately HK\$700 million for the organic growth of banking and financial businesses in Hong Kong, the PRC, East Asia and Western Europe, through the expansion of capital base, geographical coverage and product coverage, and the establishment of strategic alliance with the market leaders in those regions;
- (ii) approximately HK\$700 million for the pursuit of selective strategic investment and acquisition opportunities related to the banking and financial businesses in Hong Kong and overseas. The Company will consider the following factors for identifying potential acquisition target(s): (a) the ability to achieve synergies with the existing business operations of the Group; (b) the business scale and potential; and (c) the operating history and financial track records of growth. The Company will also place special emphasis on whether the potential acquisition target(s) can diversify its market segments which provides substantial and sustainable growth for the Remaining Group. As at the date of this Announcement, no potential acquisition target(s) has been identified by the Company; and
- (iii) remaining HK\$200 million for general working capital of the Remaining Group.

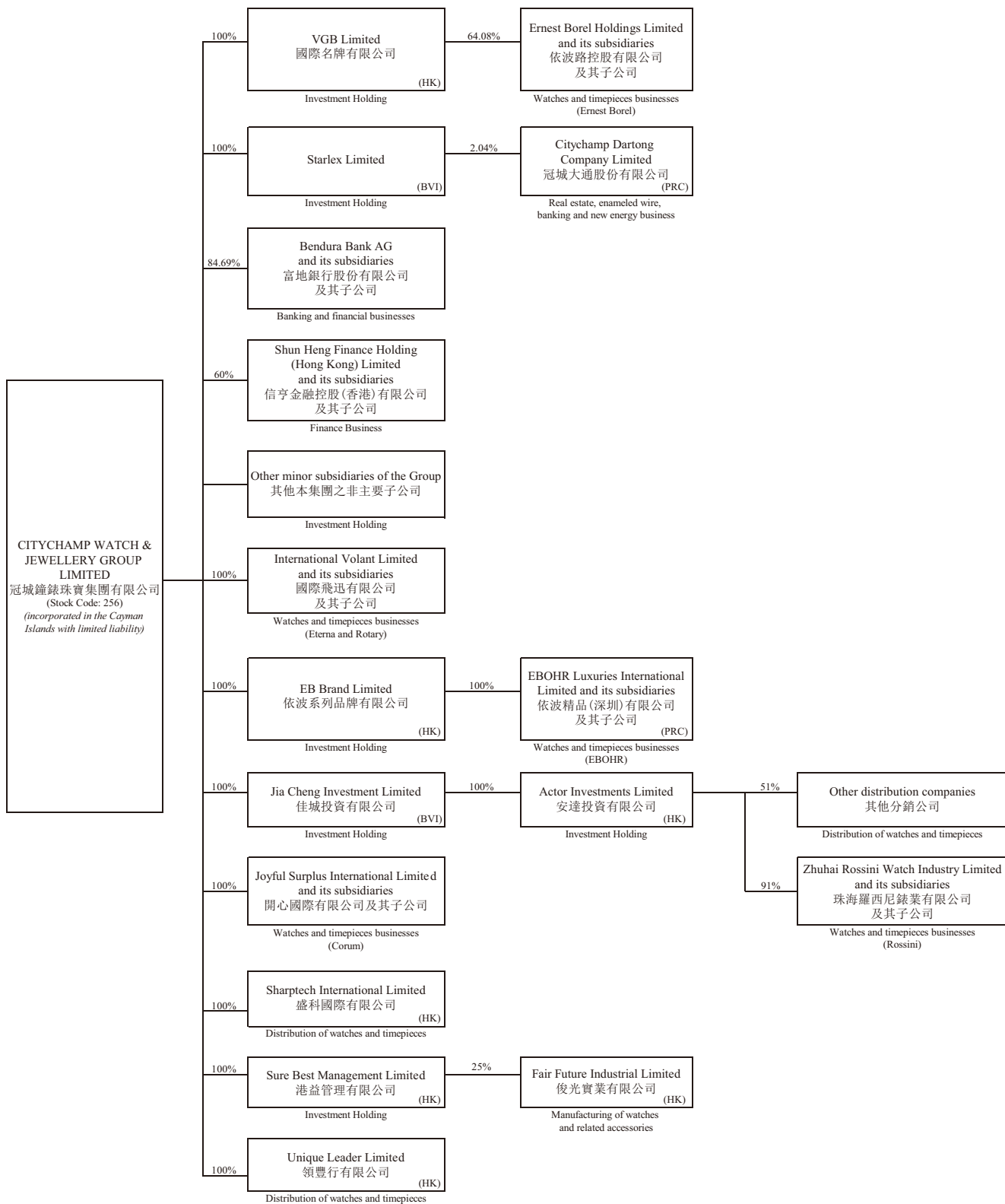
## **SPECIAL DIVIDEND**

Subject to approval of the Shareholders at the EGM and Completion taking place, the Board intends to declare the Special Dividend of not less than approximately HK\$0.13 per Share to the Shareholders whose names appear on the register of members of the Company on a record date to be determined. A further announcement will be made by the Company in this regard as and when appropriate.

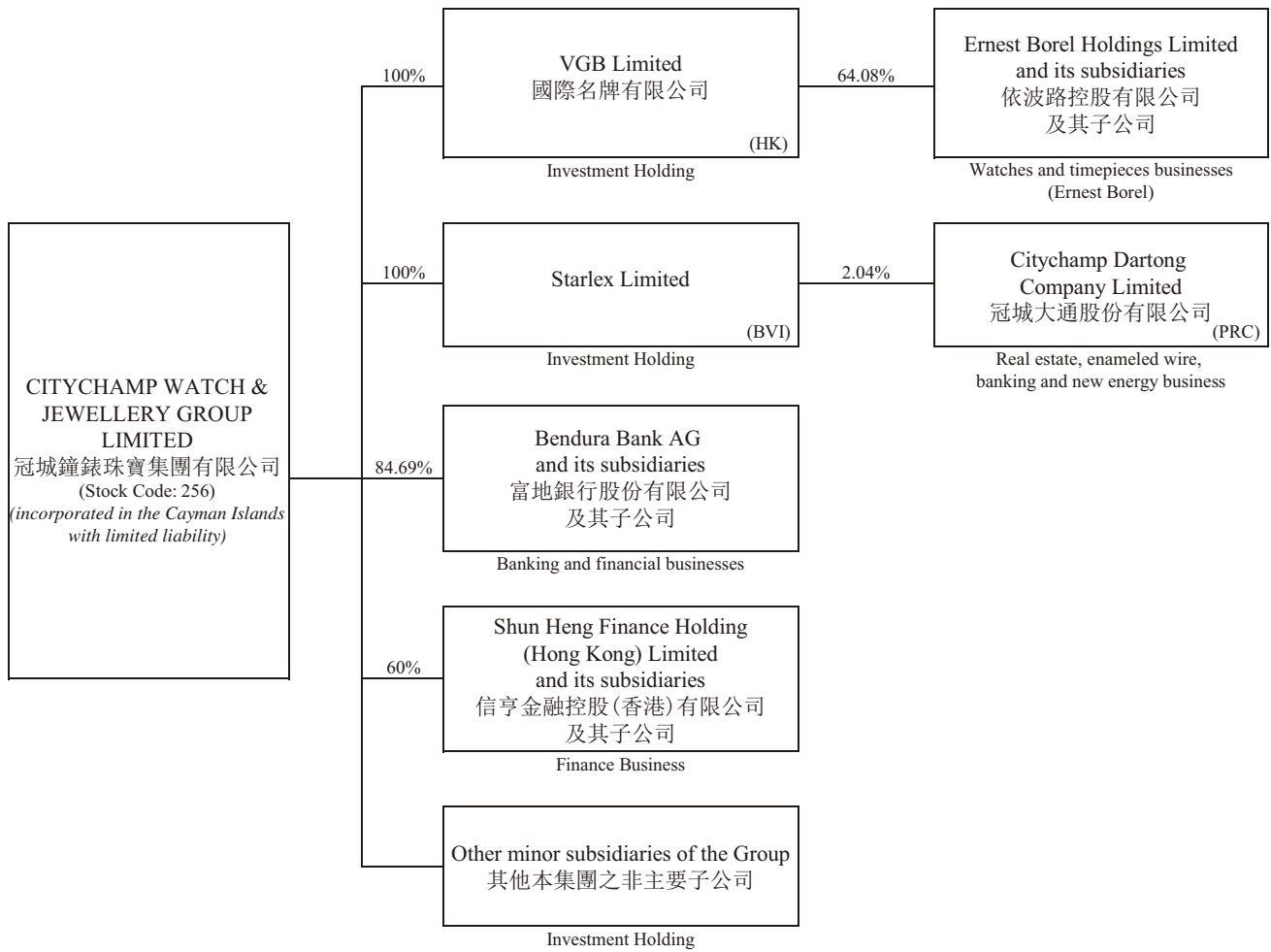


# SIMPLIFIED GROUP STRUCTURE BEFORE AND AFTER THE DISPOSAL

## Before Disposal



## After Disposal



## INFORMATION ON THE DISPOSAL GROUP

### International Volant Group

International Volant is a directly wholly-owned subsidiary of the Company and a company incorporated under the laws of Hong Kong with limited liability. As at the date of this announcement, International Volant is an investment holding company. International Volant and its subsidiaries (collectively “**International Volant Group**”) own the watch brands “Eterna” and “Rotary”.

Set out below is a summary of certain unaudited financial information of the disposed assets of International Volant Group for the two years ended 31 December 2018 and 31 December 2019 and six months ended 30 June 2020 respectively:

	For the year ended 31 December		For the period ended 30 June
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)
Profit/(Loss) before taxation	(97,129)	(42,480)	(25,518)
Profit/(Loss) after taxation	(97,021)	(42,630)	(25,602)

### EBOHR Group

EB Brand is a directly wholly-owned subsidiary of the Company and a company incorporated under the laws of Hong Kong with limited liability. As at the date of this announcement, EB Brand is an investment holding company and owns the entire issued shares in the capital of EBOHR Luxuries International Limited\* (依波精品 (深圳) 有限公司) and its subsidiaries (collectively “**EBOHR Group**”). As at the date of this announcement, EBOHR Group is principally engaged in the manufacture and distribution of “EBOHR” brand watches and timepieces in the PRC.

Set out below is a summary of certain unaudited financial information of the disposed assets of EBOHR Group for the two years ended 31 December 2018 and 31 December 2019 and six months ended 30 June 2020 respectively:

	For the year ended 31 December		For the period ended 30 June
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)
Profit/(Loss) before taxation	66,733	11,603	(20,201)
Profit/(Loss) after taxation	58,146	9,252	(18,225)

## Jia Cheng Group

Jia Cheng is a directly wholly-owned subsidiary of the Company and a company incorporated in British Virgin Islands with limited liability. As at the date of this announcement, Jia Cheng is an investment holding company which owns the entire issued shares in the capital of Actor Investments Limited, which owns 91% of issued shares in the capital of Zhuhai Rossini Watch Industry Limited\* (珠海羅西尼錶業有限公司) and its subsidiaries (collectively “**Jia Cheng Group**”). Jia Cheng Group is principally engaged in the manufacture and distribution of watches and timepieces in the PRC and owns the watch brand “Rossini”.

Set out below is a summary of certain unaudited financial information of the disposed assets of Jia Cheng Group for the two years ended 31 December 2018 and 31 December 2019 and six months ended 30 June 2020 respectively:

	For the year ended		For the period
	31 December		ended 30 June
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)
Profit/(Loss) before taxation	347,423	221,884	28,085
Profit/(Loss) after taxation	279,206	179,867	19,076

## Joyful Surplus Group

Joyful Surplus is a directly wholly-owned subsidiary of the Company and a company incorporated under the laws of Hong Kong with limited liability. As at the date of this announcement, Joyful Surplus is an investment holding company. Joyful Surplus and its subsidiaries (collectively “**Joyful Surplus Group**”) own the watch brand “Corum”.

Set out below is a summary of certain unaudited financial information of the disposed assets of Joyful Surplus Group for the two years ended 31 December 2018 and 31 December 2019 and six months ended 30 June 2020 respectively:

	For the year ended		For the period
	31 December		ended 30 June
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)
Profit/(Loss) before taxation	(19,643)	(41,795)	(27,129)
Profit/(Loss) after taxation	(21,326)	(42,649)	(27,656)

## Sharptech

Sharptech is a directly wholly-owned subsidiary of the Company and a company incorporated under the laws of Hong Kong with limited liability. As at the date of this announcement, Sharptech is principally engaged in distribution of watches and timepieces.

Set out below is a summary of certain unaudited financial information of the disposed assets of Sharptech for the two years ended 31 December 2018 and 31 December 2019 and six months ended 30 June 2020 respectively:

	For the year ended 31 December		For the period ended 30 June
	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Profit/(Loss) before taxation	(243)	(96)	(1)
Profit/(Loss) after taxation	(231)	(96)	(1)

## Unique Leader

Unique Leader is a directly wholly-owned subsidiary of the Company and a company incorporated under the laws of Hong Kong with limited liability. As at the date of this announcement, Unique Leader is principally engaged in distribution of watches and timepieces.

Set out below is a summary of certain unaudited financial information of the disposed assets of Unique Leader for the two years ended 31 December 2018 and 31 December 2019 and six months ended 30 June 2020 respectively:

	For the year ended 31 December		For the period ended 30 June
	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Profit/(Loss) before taxation	(1,097)	(3,979)	(404)
Profit/(Loss) after taxation	(1,097)	(3,979)	(404)

## Sure Best

Sure Best is a directly wholly-owned subsidiary of the Company and a company incorporated under the laws of Hong Kong with limited liability. As at the date of this announcement, Sure Best is an investment holding company.

Set out below is a summary of certain unaudited financial information of the disposed assets of Sure Best for the two years ended 31 December 2018 and 31 December 2019 and six months ended 30 June 2020 respectively:

	<b>For the year ended</b>		<b>For the period</b>
	<b>31 December</b>		<b>ended 30 June</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Profit/(Loss) before taxation	7,941	17,612	(1,071)
Profit/(Loss) after taxation	7,941	17,612	(1,071)

As at 30 June 2020, the net asset value of the Disposal Group was approximately HK\$1.29 billion and the total asset value of the Disposal Group was approximately HK\$4.31 billion.

### **INFORMATION ON THE PURCHASER**

Tycoon Idea Global Limited is an investment holding company incorporated in the British Virgin Islands with limited liability and wholly owned by Sincere View International Ltd.

### **INFORMATION ON THE PURCHASER'S GUARANTOR**

Sincere View International Ltd. is an investment holding company incorporated in the British Virgin Islands with limited liability and is indirectly owned by Mr. Hon and Ms. Lam Suk Ying, spouse of Mr. Hon, as to 80% and 20%, respectively.

### **INFORMATION ON THE COMPANY AND THE REMAINING GROUP**

The Company is a limited liability company incorporated in Cayman Islands. The principal activities of the Group include manufacturing and distribution of watches and timepieces, property investments, and banking and financial businesses.

Upon completion of the Disposal, the Remaining Group's principal activity would be the banking and financial businesses, as shown by the unaudited financial information of the Remaining Group for the two years ended 31 December 2018 and 2019 and six months ended 30 June 2020 below. The Remaining Group's banking and financial businesses include (i) Bendura Bank AG ("**Bendura Bank**"), which provides a range of private banking services, in particular, in the areas of asset management and investment advice, transaction banking, and security issuance and investment funds; and (ii) its 60% equity interest in Shun Heng Finance Holding (Hong Kong) Limited, which conducts securities and asset management businesses. Shun Heng Finance Holding (Hong Kong) Limited, through its two subsidiaries, namely Shun Heng Securities Limited and Hong Kong Metasequoia Capital Management Limited, holds Type 1 (dealing in securities), Type 4 (advisory on securities) and Type 9 (asset management licences) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Remaining Group would indirectly hold approximately 64% equity interest in Ernest Borel Holdings Limited (Stock Code: 1856), a Hong Kong listed company which is engaged in the watches and timepieces businesses. Ernest Borel Holdings Limited has an extensive distribution network which covers retail markets in Mainland China, Hong Kong, Macau and South Asian countries. The Remaining Group would also own residential, commercial and industrial properties in China and Hong Kong that generate stable rental income.

Set out below is a summary of certain unaudited financial information of the Remaining Group for two years ended 31 December 2018 and 31 December 2019 and six months ended 30 June 2020 respectively:

	<b>Remaining Watches and Timepieces Businesses</b>	<b>Property Investments</b>	<b>Banking and Financial Businesses</b>	<b>Unallocated</b>	<b>Total</b>
	<i>HK\$'M</i>	<i>HK\$'M</i>	<i>HK\$'M</i>	<i>HK\$'M</i>	<i>HK\$'M</i>
<b>For the Period Ended</b>					
<b>30 Jun 2020</b>					
Total Revenue	38	3	199	–	240
Net Profit/(Loss) after Tax	(11)	3	34	(72) <sup>(Note 1)</sup>	(46)
<b>For the Year Ended</b>					
<b>31 Dec 2019</b>					
Total Revenue	142	7	457	–	606
Net Profit/(Loss) after Tax	(75)	8	173	(152) <sup>(Note 1)</sup>	(46)
<b>For the Year Ended</b>					
<b>31 Dec 2018</b>					
Total Revenue	43	8	484	–	535
Net Profit/(Loss) after Tax	(36)	3	165	(113) <sup>(Note 1)</sup>	19

*Note 1:* Unallocated amount comprises interest expenses to bank borrowings in relation to the watches and timepieces businesses during the track record period.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Disposal Group's profit contribution to the Group has recorded a rapid drop for the past few years. In particular, the watch brands "Corum", "Eterna" and "Rotary" recorded a net loss after tax for the year ended 31 December 2019 and 31 December 2018, being HK\$77,550,000 and HK\$113,963,000 respectively due to the negative externalities in the Asian macro environment, the delicate European political situation and the China-USA trade war, which resulted in the decrease of tourist travels. The profitability of the watch brand "EBOHR" has been decreasing due to the declining trend of sales from physical stores and that e-commerce sales did not perform well on the back of the continuous increase of online selling expenses. COVID-19 further intensified the declining trend of revenue of the watch brand "EBOHR". The profitability of the watch brand "Rossini" has been experiencing a decline in sales from physical stores and the sales were further affected by the drop in tourist arrivals since August 2019 due to the significant cut-down in the number of Hong Kong-Zhuhai-Macau tourists staying away from the continuous social disturbances in Hong Kong and COVID-19. The Directors are of the view that the outlook of the watches and timepieces market will remain uncertain given the various challenges such as the changing consumer consumption patterns, rising market competition and increasing marketing and promotion costs to maintain brand awareness amid the intensifying market competition.

Furthermore, based on the current financial position and unfavorable watches and timepieces market conditions, the Disposal Group has limited opportunities of obtaining new financing or refinancing. As part of the proceeds from the Disposal will be used for the Company's repayment of the bank loans, the Disposal will significantly strengthen the Remaining Group's financial position which enables the Remaining Group to expand its financial and banking businesses, unveil the hidden value of financial and banking businesses and pursue potential business acquisitions.

The performance of the banking and financial businesses have been fairly stable in the past few years. In particular, Bendura Bank has developed organically as shown by the improving level in assets under management and stable profitability. Given the prudent asset allocation policy adopted by Bendura Bank and the prudent investment attitude of its clients, Bendura Bank is expected to demonstrate resilience and sustainability even in the currently volatile financial market situation. The cash inflow from the Disposal will enhance the Remaining Group's financial position by reducing its indebtedness and enable it to deploy more resources in the banking and financial businesses, which are critical to stay competitive locally and internationally and generate long-term growth. The Company has strong confidence in the wealth and asset management sector and will seize opportunities arising from the increasing wealth and asset management needs.

Given that there is no strong synergy between the watches and timepieces businesses and the banking and financial businesses, the Disposal will streamline the Company's business to focus on the banking and financial businesses to make it more specialized, competitive and professional to generate higher profits for the Shareholders.



The Board is of the view that the Disposal represents a valuable opportunity for the Group to capitalize on the substantial cash inflow to strengthen its financial position and focus on the banking and financial businesses, as well as the pursuit of potential business acquisitions.

All the Directors are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio under the Listing Rules in respect of the Disposal exceeds 75%, if materialized, the Disposal will constitute a very substantial disposal of the Company pursuant to Chapter 14 of the Listing Rules. As such, the transactions contemplated under the Disposal are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Also, as at the date of this announcement, the Purchaser is indirectly owned by Mr. Hon and Ms. Lam Suk Ying, spouse of Mr. Hon, as to 80% and 20%, respectively. As Mr. Hon is the chairman of the Board and the controlling shareholder of the Company, the Purchaser is an associate of Mr. Hon and thus a connected person of the Company. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement, circular and Independent Shareholders' approval at the EGM.

## **EGM**

The EGM will be convened for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the Disposal contemplated thereunder. An Independent Board Committee comprising all the independent non-executive Directors will be established by the Company to consider the Sale and Purchase Agreement and the Disposal contemplated thereunder and to advise the Independent Shareholders as to whether the Sale and Purchase Agreement and the Disposal contemplated thereunder are on normal commercial terms or better and fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

A circular containing, among other things, (i) further details of the Disposal; (ii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders regarding the Disposal; and (iv) a notice of the EGM will be dispatched to the Shareholders on or before 8 January 2021.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Hon and his associates (as defined in the Listing Rules) has a material interest in the Disposal and Mr. Hon and his associates (as defined in the Listing Rules) are required to abstain from voting on the resolution(s) to be proposed at the EGM to approve the Sale and Purchase Agreement and the Disposal contemplated thereunder.

**Completion of the Disposal may or may not proceed as it is subject to a number of conditions which may or may not be fulfilled. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Accounts”	the consolidated accounts of the Company which contains the proforma accounts of the Remaining Group and the Disposal Group as at the Accounting Date
“Accounting Date”	30 June 2020
“Board”	the board of Directors
“Business”	the watches and other businesses currently conducted by each of International Volant Group, EBOHR Group, Jia Cheng Group, Joyful Surplus Group, Sharptech, Unique Leader and Sure Best Group
“Business Day(s)”	means a day (excluding Saturday, Sunday, Hong Kong public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business and a trading day on the Stock Exchange
“Company”	Citychamp Watch & Jewellery Group Limited, a limited liability company incorporated in the Cayman Islands, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 0256)
“Completion”	completion of the sale and purchase of the Sale Shares and the Sale Loans in accordance with the terms of the Sale and Purchase Agreement

“Completion Accounts”	the consolidated accounts of the Company which contains the proforma accounts of the Remaining Group and the Disposal Group as at the Cut-off Date
“Completion Date”	3 Business Days after the fulfilment of conditions precedent in accordance with the Sale and Purchase Agreement (or any other dates to be agreed among the Parties in writing, but no later than the Long Stop Date)
“Condition(s)”	the condition(s) precedent for Completion
“Conditions Fulfilment Date”	28 February 2021 (or such other date as the Company and the Purchaser agree in writing)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable to the Company comprising Consideration for the Sale Shares and Consideration for the Sale Loans, plus Interest
“COVID-19”	Novel coronavirus (COVID-19)
“Cut-off Date”	last day of the month prior to Completion Date
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loans pursuant to the terms and conditions of the Sale and Purchase Agreement
“Disposal Group”	collectively, the International Volant Group, the EBOHR Group, the Jia Cheng Group, the Joyful Surplus Group, Sharptech, Unique Leader and the Sure Best Group
“EB Brand”	EB Brand Limited, a company incorporated in Hong Kong with limited liability and a directly wholly-owned subsidiary of the Company as at the date of this announcement and immediately prior to Completion
“EB Brand Sale Loan”	all obligations, liabilities and debts owing or incurred by EB Brand to the Company from time to time
“EB Brand Sale Shares”	100 ordinary shares in the issued share capital of EB Brand

“EGM”	an extraordinary general meeting of the Company to be convened for the purposes of considering, and if thought fit, approving the Sale and Purchase Agreement and the Disposal contemplated thereunder
“Encumbrances”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Financial Reporting Standards”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Independent Board Committee”	a board committee which shall consist only of independent non-executive director(s)
“Independent Shareholders”	any shareholder of the Company that is not required to abstain from voting at a general meeting to approve a connected transaction in accordance with the Listing Rules
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Interest”	Interest payable by the Purchaser to the Company for each of the Second Payment, Third Payment and Fourth Payment at 6% p.a. and for the purpose of each of the Payments, the Interest payable for each Payment shall be Interest x 365 / elapsed days
“International Volant”	International Volant Limited, a company incorporated in Hong Kong with limited liability and a directly wholly-owned subsidiary of the Company as at the date of this announcement and immediately prior to Completion
“International Volant Sale Loan”	all obligations, liabilities and debts owing or incurred by International Volant to the Company from time to time

“International Volant Sale Shares”	10,000 ordinary shares in the issued share capital of International Volant
“Jia Cheng”	Jia Cheng Investment Limited, a company incorporated in British Virgin Islands with limited liability and a directly wholly-owned subsidiary of the Company as at the date of this announcement and immediately prior to Completion
“Jia Cheng Sale Loan”	all obligations, liabilities and debts owing or incurred by Jia Cheng to the Company from time to time
“Jia Cheng Sale Shares”	1 ordinary share in the issued share capital of Jia Cheng
“Joyful Surplus”	Joyful Surplus International Limited, a company incorporated in Hong Kong with limited liability and a directly wholly-owned subsidiary of the Company as at the date of this announcement and immediately prior to Completion
“Joyful Surplus Sale Loan”	all obligations, liabilities and debts owing or incurred by Joyful Surplus to the Company from time to time
“Joyful Surplus Sale Shares”	10,000 ordinary shares in the issued share capital of Joyful Surplus
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2021 (or such other date as the Purchaser and the Company may agree in writing)
“Material Adverse Change”	any change (or effect) which has a material and adverse effect on the financial position, business or property, results of operations, business prospects or assets of the Disposal Group
“Mr. Hon”	Mr. Hon Kwok Lung, the chairman and an executive Director as well as a controlling shareholder of the Company
“PRC” or “Mainland China”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Tycoon Idea Global Limited, a company incorporated in British Virgin Islands with limited liability

“Purchaser’s Guarantor”	Sincere View International Ltd., a company incorporated in British Virgin Islands with limited liability
“Remaining Group”	the Group immediately after Completion
“Renminbi”	the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 16 December 2020 entered into among the Company, the Purchaser and the Purchaser’s Guarantor in respect of the sale and purchase of the Sale Shares and the Sale Loans
“Sale Loans”	collectively, the International Volant Sale Loan, the EB Brand Sale Loan, the Jia Cheng Sale Loan, the Joyful Surplus Sale Loan, the Sharptech Sale Loan, the Unique Leader Sale Loan and the Sure Best Sale Loan
“Sale Shares”	collectively, the International Volant Sale Shares, the EB Brand Sale Shares, the Jia Cheng Sale Shares, the Joyful Surplus Sale Shares, the Sharptech Sale Shares, the Unique Leader Sale Shares and the Sure Best Sale Shares
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder of ordinary shares in the share capital of the Company
“Sharptech”	Sharptech International Limited, a company incorporated in Hong Kong with limited liability and a directly wholly-owned subsidiary of the Company as at the date of this announcement and immediately prior to Completion
“Sharptech Sale Loan”	all obligations, liabilities and debts owing or incurred by Sharptech to the Company from time to time
“Sharptech Sale Shares”	100 ordinary shares in the issued share capital of Sharptech
“Special Dividend”	the special cash dividend intended to be declared and paid by the Company to the Shareholders subject to the approval of the Shareholders at the EGM and Completion taking place
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Sure Best”	Sure Best Management Limited, a company incorporated in Hong Kong with limited liability and a directly wholly-owned subsidiary of the Company as at the date of this announcement and immediately prior to Completion
“Sure Best Sale Loan”	all obligations, liabilities and debts owing or incurred by Sure Best to the Company from time to time
“Sure Best Sale Shares”	1 ordinary share in the issued share capital of Sure Best
“Target Companies”	collectively, International Volant, EB Brand, Jia Cheng, Joyful Surplus, Sharptech, Unique Leader and Sure Best
“Unique Leader”	Unique Leader Limited, a company incorporated in Hong Kong with limited liability and a directly wholly-owned subsidiary of the Company as at the date of this announcement and immediately prior to Completion
“Unique Leader Sale Loan”	all obligations, liabilities and debts owing or incurred by Unique Leader to the Company from time to time
“Unique Leader Sale Shares”	1 ordinary share in the issued share capital of Unique Leader
“%”	per cent

*If there is any inconsistency in this announcement between the Chinese and English versions, the English version shall prevail.*

\* *In this announcement, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.*

For and on behalf of the Board  
**Citychamp Watch & Jewellery Group Limited**  
**Hon Kwok Lung**  
*Chairman*

Hong Kong, 16 December 2020

*As at the date of this announcement, the Board of the Company 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. Teguh Halim who are the Executive Directors, and Dr. Kwong Chun Wai, Michael, Mr. Zhang Bin, Mr. Kam, Eddie Shing Cheuk and Mr. Li Ziqing who are the independent non-executive Directors.*