

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CONNECTED TRANSACTION – FORMATION OF A JOINT VENTURE

After trading hours on 28 September 2016, Union United (a wholly-owned subsidiary of the Company) entered into the JV Agreement with the JV Partners in relation to the formation of the JV Company. It is the intention of the JV Parties to operate the JV Company to engage in potential overseas equity investment.

The JV Company will be owned as to 30% by Union United and as to 70% by the JV Partners. Pursuant to the JV Agreement, the maximum capital commitment of the JV Partners and Union United will be at an aggregate investment amount of HK\$900,000,000 by way of subscription of new JV Shares according to their respective shareholding in the JV Company. The capital commitment of HK\$270,000,000 payable by Union United will be funded by the internal resources of the Group.

By virtue of the relationship between the JV Partners and the Group, the formation of the JV Company contemplated under the JV Agreement constitutes a connected transaction for the Company. As all the applicable percentage ratios are less than 5%, such transaction is only subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

INTRODUCTION

After trading hours on 28 September 2016, Union United (a wholly-owned subsidiary of the Company) entered into the JV Agreement with the JV Partners in relation to the formation of the JV Company. The principal terms of the JV Agreement are set out below:

THE JV AGREEMENT

Date

28 September 2016.

Parties

- (1) FI(HK);
- (2) CD(HK); and
- (3) Union United (a wholly-owned subsidiary of the Company).

Please refer to the section headed “Information on the JV Parties” in this announcement below for details of the relationship between the JV Parties.

Formation of the JV Company

The JV Parties shall pursuant to the JV Agreement form the JV Company, which is expected to be a company incorporated in the British Virgin Islands with limited liability.

Business scope of the JV Company

It is the intention of the JV Parties that they will jointly, through the JV Company, engage in potential overseas equity investment.

Investment in the JV Company

Pursuant to the JV Agreement, the JV Parties shall subscribe, for cash in par, for an aggregate of 100 new JV Shares, such that the JV Company shall be owned as to 40% by FI(HK), 30% by CD(HK) and 30% by Union United.

Under the terms of the JV Agreement, the maximum capital commitment of the JV Partners and Union United will be at an aggregate investment amount of HK\$900,000,000 by way of subscription of new JV Shares according to their respective shareholding in the JV Company, that is as to HK\$360,000,000 by FI(HK), as to HK\$270,000,000 by CD(HK) and as to HK\$270,000,000 by Union United.

The capital commitment of HK\$270,000,000 payable by Union United will be funded by the internal resources of the Group.

In the event that the JV Company requires additional working capital, the JV Parties shall negotiate and agree on the necessary arrangement. In any event, any further contribution or financial assistance to the JV Company by the JV Parties shall be in proportion to their respective shareholding in the JV Company unless otherwise agreed by the JV Parties.

Directors and management of the JV Company

Unless otherwise agreed by the JV Parties, the number of directors of the JV Company shall be four, where each of CD(HK) and Union United shall have the right to nominate and remove one director, and FI(HK) shall have the right to nominate and remove two directors.

The quorum for a meeting of the board of directors of the JV Company shall be three directors, of which one of each shall be a director nominated by each of the JV Parties.

Restrictions on transfer of JV Shares

In the event that a shareholder of the JV Company proposed to transfer the whole or any part of the JV Shares, the other shareholders of the JV Company shall have a first right of refusal to such JV Shares.

INFORMATION ON THE JV PARTIES

Union United is principally engaged in investment holding and a wholly-owned subsidiary of the Company. The Group is principally engaged in the manufacture and distribution of watches and timepieces; property investments; and distribution of yachts.

FI(HK) is principally engaged in investment holding and a wholly-owned subsidiary of Fujian Fengrong Investment Company Limited (“**Fujian Fengrong**”), a company incorporated in the PRC. Fujian Fengrong is owned as to approximately 68.5% by Ms. Sit Lai Hei, an executive Director, and approximately 31.5% by Ms. Lu Xiaojun. Both Ms. Sit Lai Hei and Ms. Lu Xiaojun are daughters-in-law of Mr. Hon Kwok Lung, an executive Director. Mr. Hon Hau Wong, an executive Director, is the spouse of Ms. Lu Xiaojun. Accordingly, FI(HK) is a connected person of the Company.

CD(HK) is principally engaged in investment holding and a wholly-owned subsidiary of 冠城大通股份有限公司 (in English, for identification only, Citychamp Dartong Company Limited) (“**Citychamp Dartong**”), a joint stock company established in the PRC with limited liability whose shares are listed on the Shanghai Stock Exchange (stock code: 600067). Citychamp Dartong is principally engaged in real estate development, production and sales of enameled wire, and initial layout of new energy, finance, equity investment and health care business sectors for implementation of strategic transformation. Citychamp Dartong is owned as to approximately 31.7% by Fujian Fengrong. Accordingly, CD(HK) is also a connected person of the Company.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JV COMPANY

The JV Parties shall pursuant to the JV Agreement form the JV Company, which is expected to be a company incorporated in the British Virgin Islands with limited liability. As the JV Company has not yet been incorporated as at the date of this announcement, no financial information regarding its performance during the past two years is presented in this announcement.

It is the intention of the JV Parties that they will jointly, through the JV Company, engage in potential overseas equity investment.

As disclosed in the interim report 2016 of the Company, the Group is in the course of diversifying into securities and banking businesses and gearing up to a position to embark on the securities and banking businesses in the short term future.

The JV Partners are based in mainland PRC with a diverse investment experience and credibility with authorised financial institutions, as well as strong financial strength. Through the formation of the joint venture under the JV Agreement, the Group and the JV Partners would be able to complement the strength of each other and share resources in the operation of the JV Company. Considering the unique position of Hong Kong as an international financial centre, especially after the implementation of the Belt Road Strategy of the PRC Central Government, the Directors are of the view that the JV Company would be well positioned to capture investment opportunities that may arise. In addition, the Directors believe that the JV Company would, on the other hand, allow the Group to utilise the shared resources and capital advantage to extend the development of diversified investment opportunities to further explore investment channels and lookout for good investment projects, and would on the other hand, reduce investment risks of the Group and bring in new dynamics for the Group's revenue growth.

Having considered the factors above, the Directors are of the view that the terms of the JV Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

In view of the fact that the each of the JV Partners, namely FI(HK) and CD(HK), is a connected person of the Company, accordingly, the formation of the JV Company constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios are less than 5%, the formation of the JV Company contemplated under the JV Agreement is only subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

Given that Mr. Hon Kwok Lung, Ms. Sit Lai Hei and Mr. Hon Hau Wong, each an executive Director, have material interest in the JV Agreement and the transactions contemplated thereunder due to their respective interest or relationship in the JV Partners, further particulars of which are set out in the section headed "Information of the JV Parties" in this announcement, each of Mr. Hon Kwok Lung, Ms. Sit Lai Hei and Mr. Hon Hau Wong had abstained from voting in the resolutions of the Board to approve the JV Agreement and the transactions contemplated thereunder. In addition, given that Mr. Shang Jianguang, an executive Director, is also a director of Citychamp Dartong, the holding company of CD(HK), for the sake of good corporate governance, Mr. Shang Jianguang had abstained from voting in the resolutions of the Board to approve the JV Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	any day(s) (except any Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“CD(HK)”	Citychamp Dartong (Hong Kong) Limited 冠城大通 (香港) 有限公司, a company incorporated in Hong Kong with limited liability, being a party to the JV Agreement
“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”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“FI(HK)”	Fengrong Investment (Hong Kong) Company Limited 豐榕投資 (香港) 有限公司, a company incorporated in Hong Kong with limited liability, being a party to the JV Agreement
“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
“Independent Third Party”	third party independent of the Company and connected persons of the Company
“JV Agreement”	the JV Agreement dated 28 September 2016 entered into between the JV Parties in relation to the formation of the JV Company
“JV Company”	the joint venture company to be formed pursuant to the JV Agreement which is expected to be a company incorporated in the British Virgin Islands with limited liability

“JV Parties”	collectively, Union United, FI(HK) and CD(HK), being the shareholders of the JV Company and a “JV Party” shall be construed accordingly
“JV Partners”	FI(HK) and CD(HK), each being a party to the JV Agreement
“JV Share(s)”	share(s) of par value of HK\$1.00 each in the share capital of the JV Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Union United”	Union United Investment Limited 聯和投資有限公司, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company

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

Hong Kong, 28 September 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 as the executive Directors, and Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael, Mr. Li Qiang and Mr. Zhang Bin as the independent non-executive Directors.