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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)**

### **CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTEREST IN SHUN HENG SECURITIES LIMITED**

#### **THE AGREEMENT**

The Board is pleased to announce that after trading hours of the Stock Exchange on 19 February 2016, the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser has agreed to acquire the entire issued share capital of the Target Company from the Vendor at a cash Consideration of HK\$24,800,000.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As the Vendor is an executive Director and the controlling Shareholder, the Vendor is regarded as a connected person of the Company. The entering into of the Agreement therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio is more than 0.1% but less than 5%, the Acquisition is only subject to the reporting and announcement requirements, but is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **THE AGREEMENT**

### **Date**

19 February 2016

### **Parties**

- (i) Global Wealthy Link Limited, as the Purchaser; and
- (ii) Mr. Hon Kwok Lung, as the Vendor.

The Vendor, an executive Director and the controlling Shareholder, together with his wife collectively controlled approximately 73.1% of the issued share capital of the Company as at the date of this announcement. As a result, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules.

### **Assets to be acquired**

Pursuant to the Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the entire issued share capital of the Target Company. Details of the Target Company are set out in the section headed “Information on the Target Company” below.

### **Consideration**

The Consideration is HK\$24,800,000, which shall be payable in cash, of which:

- (i) HK\$10,000,000 shall be paid within five Business Days after the date of the Agreement (the “**Initial Payment**”); and
- (ii) HK\$14,800,000 shall be paid at Completion.

The Consideration was determined by the Purchaser and the Vendor after arm’s length negotiations with reference to the unaudited net asset value of the Target Company of approximately HK\$23.8 million as at 31 December 2015. The Company intends to fund the Consideration by internal resources of the Group.

## Conditions

Completion is subject to the fulfilment or waiver (as the case may be) of the following conditions:

- (i) the Purchaser having been satisfied with the results of such enquiries, investigations and due diligence reviews of the business, affairs, operations and financial position of the Target Company by the Purchaser or any of its officers, employees, agents, professional advisers or other agents as the Purchaser in its discretion deems necessary, desirable or appropriate to undertake;
- (ii) the approval from the SFC in relation to the change of substantial shareholder (as defined in the SFO) of the Target Company;
- (iii) the Licence not having been revoked, withdrawn, terminated or suspended;
- (iv) the representations and warranties given by the Vendor remaining true and accurate and not misleading in any respect as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date;
- (v) no notice, order, judgment, action or proceeding of any court, arbitrator, governmental authority, statutory or regulatory body having been served, issued or made which restrains, prohibits or makes unlawful the Acquisition or which may materially and adversely affect the right of the Purchaser to own the legal and beneficial title to the issued share capital of the Target Company, free from encumbrances, following the Completion Date;
- (vi) all necessary approvals (other than the approvals referred to in (ii) above) and consents required to be obtained by the Target Company, the Purchaser and/or the Vendor from any governmental authority or other third party in respect of the Acquisition having been obtained unconditionally and irrevocably, or where such approval or consent is given subject to conditions, on such conditions as are acceptable to the Purchaser;
- (vii) there having been no event, act or circumstance that has a material adverse effect on the business, results of or operation or financial condition of the Target Company or its assets or that may or would reasonably be expected to result in the Licence being revoked, withdrawn, terminated or suspended; and
- (viii) the indebtedness due to the Target Company from, or that due from the Target Company to, any connected person (as defined under the Listing Rules) of the Target Company having been released, repaid, novated or assigned to the satisfaction of the Purchaser, save for the indebtedness in the form of any loan or facility provided by the Target Company to a connected party in the ordinary and usual course of business of the Target Company on normal market terms.

The Purchaser may at any time waive in whole or in part and conditionally or unconditionally any of the conditions set out above (other than the conditions (ii) and (vi)).

If any of the conditions (ii) and (viii) is not satisfied on or before the Long-Stop Date or other conditions are not satisfied or waived on or before the Completion Date, the Agreement shall automatically lapse without liability to any party (save for rights and liabilities of each party accrued prior to such termination), subject to any further agreement otherwise in writing between the parties. In the event that the Agreement is terminated, the Vendor shall, immediately upon demand by the Purchaser, return the Initial Payment without interest to the Purchaser in such manner as the Purchaser may designate.

## INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong and its principal activity is the provision of financial services including securities broking and securities margin financing services. The Target Company is a corporation licensed to conduct Type 1 (dealing in securities) regulated activity under the SFO and is a participant of the Stock Exchange and Hong Kong Securities Clearing Company Limited. The total costs of the entire equity interest in the Target Company paid by the Vendor were approximately HK\$25.7 million.

Set out below is the financial information of the Target Company prepared under the Hong Kong Financial Reporting Standards for the two financial years ended 31 December 2015:

|                               | <b>For the year ended</b> |             |
|-------------------------------|---------------------------|-------------|
|                               | <b>31 December</b>        |             |
|                               | <b>2015</b>               | 2014        |
|                               | <i>HK\$</i>               | <i>HK\$</i> |
|                               | <b>(unaudited)</b>        | (audited)   |
| Profit/(loss) before taxation | <b>152,757</b>            | (2,158,692) |
| Profit/(loss) after taxation  | <b>152,757</b>            | (2,158,692) |

The unaudited net asset value of the Target Company as at 31 December 2015 was approximately HK\$23.8 million.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (i) manufacture and distribution of watches and timepieces; (ii) property investments; and (iii) distribution of yachts.

The Directors are of the view that the Acquisition will provide an opportunity for the Company to participate in the securities trading industry and allow the Company to diversify from its existing businesses. According to the website of the Stock Exchange, the average daily turnover of the securities market in Hong Kong in 2015 was approximately HK\$105.6 billion, representing an increase of approximately 52% compared with approximately HK\$69.5 billion in 2014. In light of this, the Directors believe that the Target Company is expected to be able to take advantage of such growth and the Acquisition provides an opportunity for the Group to broaden its revenue stream.

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

## **IMPLICATIONS UNDER THE LISTING RULES**

As the Vendor is an executive Director and the controlling Shareholder, the Vendor is regarded as a connected person of the Company. The entering into of the Agreement therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio is more than 0.1% but less than 5%, the Acquisition is only subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Hon Kwok Lung has a material interest in the Acquisition, he and his associate(s) have abstained from voting on the relevant Board resolution approving the Acquisition.

## **DEFINITIONS**

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

|                |   |
|----------------|---|
| “Acquisition”  | the proposed acquisition of the entire issued share capital of the Target Company by the Purchaser from the Vendor pursuant to the terms and conditions of the Agreement  |
| “Agreement”    | the conditional sale and purchase agreement dated 19 February 2016 entered into between the Purchaser and the Vendor in relation to the Acquisition   |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules  |
| “Board”        | the board of Directors  |
| “Business Day” | a day on which commercial banks are open for business in Hong Kong (excluding Saturdays, Sundays, public holidays and any weekday on which Typhoon Signal No. 8 or higher is hoisted or a black rain storm warning is given in Hong Kong at any time during 9:00 a.m. to 5:00 p.m.) |
| “Company”      | Citychamp Watch & Jewellery Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 256)   |

|                    |   |
|--------------------|---|
| “Completion”       | completion of the Acquisition in accordance with the terms and conditions of the Agreement  |
| “Completion Date”  | the date of Completion  |
| “connected person” | has the meaning ascribed to it under the Listing Rules  |
| “Consideration”    | the consideration for the Acquisition   |
| “Director(s)”      | the director(s) of the Company  |
| “Group”            | the Company and its subsidiaries  |
| “HK\$”             | Hong Kong dollar, the lawful currency of Hong Kong  |
| “Hong Kong”        | the Hong Kong Special Administrative Region of the People’s Republic of China   |
| “Initial Payment”  | as defined in the section headed “The Agreement”  |
| “Licence”          | the licence granted by the SFC to the Target Company to carry on Type 1 (dealing in securities) regulated activity under the SFO            |
| “Listing Rules”    | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Long-Stop Date”   | 31 December 2016 or such later date as the Purchaser may notify the Vendor in writing from time to time                                     |
| “Purchaser”        | Global Wealthy Link Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company |
| “SFC”              | the Securities and Futures Commission   |
| “SFO”              | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)   |
| “Share(s)”         | ordinary share(s) of HK\$0.10 each in the issued share capital of the Company   |
| “Shareholder(s)”   | holder(s) of the Share(s)   |
| “Stock Exchange”   | The Stock Exchange of Hong Kong Limited   |

|                  |   |
|------------------|---|
| “Target Company” | Shun Heng Securities Limited, a company incorporated in Hong Kong with limited liability, the entire shareholding interest of which is legally and beneficially owned by the Vendor |
| “Vendor”         | Mr. Hon Kwok Lung, an executive Director and the controlling Shareholder  |
| “%”              | per cent.   |

By order of the Board  
**Citychamp Watch & Jewellery Group Limited**  
**Fong Chi Wah**  
*CFO & Company Secretary*

Hong Kong, 19 February 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.*