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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 SHARE DISPOSAL

THE DISPOSAL

The Board is pleased to announce that on 25 October 2023, the Vendor and the Purchaser entered into the Share Disposal Agreement, pursuant to which, the Vendor has agreed to sell, and the Purchaser has agreed to acquire, 7,000,000 Ernest Borel Shares at a consideration of HK\$14 million at HK\$2.0 per Ernest Borel Share by OTC.

The Vendor currently owns 217,834,485 Ernest Borel Shares, representing approximately 60.47% of issued share capital of Ernest Borel. After the Disposal, the Vendor owns 210,834,485 Ernest Borel Shares, representing approximately 58.52% of issued share capital of Ernest Borel. Ernest Borel still remains as a subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

At the date of this announcement, the Purchaser is wholly owned by Mr. Hon. 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 constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting and announcement requirements.

INTRODUCTION

The Board is pleased to announce that on 25 October 2023, the Vendor and the Purchaser entered into the Share Disposal Agreement, pursuant to which, the Vendor has agreed to sell, and the Purchaser has agreed to acquire, 7,000,000 Ernest Borel Shares at a consideration of HK\$14 million at HK\$2.0 per Ernest Borel Share by OTC.

The principal terms of the Share Disposal Agreement are set out below.

THE DISPOSAL

Date

25 October 2023

Parties

Vendor:	VGB Limited
Purchaser:	Full Day Limited
Subject Company:	Ernest Borel Holdings Limited
Subject Shares:	7,000,000 ordinary shares of Ernest Borel, representing approximately 1.94% of issued share capital of Ernest Borel
Consideration:	HK\$2.0 per Ernest Borel Share, in aggregate of HK\$14 million

The transaction price of HK\$2.0 per Ernest Borel Share was arrived at after arm's length negotiations between the Vendor and the Purchaser taking into consideration of the average closing prices per Ernest Borel Share for the last, five and thirty trading days up to and including 24 October 2023. The transaction price represents:

- (i) a premium of approximately 5.26% over the closing price of HK\$1.9 per Ernest Borel Share on 24 October 2023, being the last trading day of the Ernest Borel Shares prior to the date of the Share Disposal Agreement;
- (ii) a premium of approximately 5.26% over the average closing price of HK\$1.9 per Ernest Borel Share for the five trading days up to and including 24 October 2023; and
- (iii) a premium of approximately 5.26% to the average closing price of HK\$1.9 per Ernest Borel Share for the thirty trading days up to and including 24 October 2023.

The transaction price of the Disposal is at the premium of the recent average closing price per Ernest Borel Share. On that basis, the Board consider that the terms of the Share Disposal Agreement are fair and reasonable. The proceeds from the Disposal amount to HK\$14 million, which is receivable in cash on settlement.

INFORMATION ON ERNEST BOREL

Ernest Borel is an exempted company with limited liability incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1856). The principal activity of Ernest Borel is investment holding and its subsidiaries are principally engaged in designing, manufacturing, marketing and selling of Swiss-made mechanical and quartz premium watches. Before the Disposal, the Company owns 217,834,485 shares of Ernest Borel via the Vendor, representing approximately 60.47% of issued share capital of Ernest Borel.

Set out below is a summary of certain audited financial information of Ernest Borel as extracted from Ernest Borel's annual report for the two years ended 31 December 2021 and 31 December 2022.

	For the year ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
	(audited)	(audited)
Profit/(Loss) before taxation	(12,121)	(32,773)
Profit/(Loss) after taxation	(12,068)	(31,823)
Equity per share (Hong Kong dollar)	0.31	0.32

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands with limited liability. The principal activity of the Purchaser is investment holding. At the date of this announcement, the Purchaser is wholly owned by Mr. Hon. 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.

FINANCIAL IMPACT OF THE DISPOSAL

As at the date of this announcement before the Disposal, the Vendor owns 217,834,485 shares of Ernest Borel, representing approximately 60.47% of issued share capital of Ernest Borel. After the Disposal, the Vendor owns 210,834,485 Ernest Borel Shares, representing approximately 58.52% of issued share capital of Ernest Borel. The disposal proceeds are intended to be used as general working capital of the Group. The Disposal will affect equity interests sharing attributable to owners of the Company in the Group's accounts.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the manufacture and distribution of watches and timepieces. The Board is of the view that the Disposal provides a good opportunity for the Group to partially realise its interest in Ernest Borel, at a gain and to strengthen its financial position.

The Purchaser is the largest shareholder of the Company. The Directors consider that the terms of the Share Disposal Agreement are fair and reasonable and is in the interest of the Company to sell Ernest Borel Shares to the Purchaser instead of independent third parties as any reduction of the aggregate shareholding interests of the Vendor and the Purchaser may be perceived as negative news by shareholders and potential investors of Ernest Borel, which might adversely affect the market price of Ernest Borel Shares and therefore affect the value of the remaining shares of Ernest Borel held by the Vendor after the Disposal.

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

IMPLICATIONS UNDER THE LISTING RULES

At the date of this announcement, the Purchaser is wholly owned by Mr. Hon. 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 constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting and announcement requirements.

DEFINITION

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

“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Citychamp Watch & Jewellery Group Limited, 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 thereto in the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	consideration of Ernest Borel Shares payable by the Purchaser

“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 7,000,000 Ernest Borel Shares
“Ernest Borel”	Ernest Borel Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1856) and an indirect subsidiary of the Company
“Ernest Borel Share(s)”	ordinary share(s) of Ernest Borel
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Hon”	Mr. Hon Kwok Lung, chairman of the Board and substantial shareholder of the Company
“OTC”	Over-the-counter
“Purchaser”	Full Day Limited, a company incorporated in the British Virgin Islands with limited liability, wholly owned by Mr. Hon
“Share Disposal Agreement”	the sale and purchase agreement entered into between the Vendor and the Purchaser on 25 October 2023 in respect of the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	VGB Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“%”	per cent.

By Order of the Board
Citychamp Watch & Jewellery Group Limited
Hon Kwok Lung
Chairman

Hong Kong, 25 October 2023

As at the date of this announcement, the executive directors of the Company are Mr. Hon Kwok Lung, Mr. Siu Chun Wa, Mr. Hao Xiaohui, Mr. Shi Tao, Ms. Sit Lai Hei, Mr. Hon Hau Wong, and Mr. Teguh Halim; and the independent non-executive directors of the Company are Dr. Kwong Chun Wai, Michael, Mr. Zhang Bin, Mr. Kam, Eddie Shing Cheuk, and Mr. Li Ziqing.