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ERNEST BOREL HOLDINGS LIMITED

依波路控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1856)

MEMORANDUM OF UNDERSTANDING IN RELATION TO PROPOSED ACQUISITION

This announcement is made by the Company pursuant to Rule 13.09(2) of Listing Rules and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

The Board is pleased to announce that on 10 May 2017 (after trading hours), the Company, entered into the non-legally binding MOU with the Vendor in relation to its proposed acquisition of the entire issued share capital of the Target Company.

The Target Company is a company wholly-owned by the Vendor, a director and a substantial shareholder (as defined under the Listing Rules) of the Company. As such, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules. The Proposed Acquisition, if materialized, may constitute a major and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules.

The MOU may or may not lead to the entering into of any definitive agreement(s) for the Proposed Acquisition. The Proposed Acquisition, if materialized, may constitute a notifiable and connected transaction for the Company under the Listing Rules. The Company will make further announcement(s) as and when appropriate and comply with all other applicable requirements under the Listing Rules. As the Proposed Acquisition may or may not be materialised, shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by the Company pursuant to Rule 13.09(2) of Listing Rules and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE PROPOSED ACQUISITION

The Board is pleased to announce that on 10 May 2017 (after trading hours), the Company, entered into a non-legally binding MOU with the Vendor in relation to the Proposed Acquisition.

Major Terms of the MOU

Date: 10 May 2017

Parties: (1) the Company, as purchaser; and
(2) Mr. Sit Yau Chiu, as vendor.

The Target Company is a company wholly-owned by the Vendor, a director and a substantial shareholder (as defined under the Listing Rules) of the Company. As such, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules. The Proposed Acquisition, if materialized, may constitute a major and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules.

The Proposed Acquisition

Pursuant to the MOU, the Vendor conditionally agreed to sell the entire issued share capital of the Target Company and the Company conditionally agreed to purchase the entire issued share capital of the Target Company. The parties shall use reasonable diligence to commence good faith negotiations in order to execute and deliver respective definitive agreements relating to the Proposed Acquisition acceptable to the parties subject to the satisfactory results of due diligence.

Proposed Consideration

The Proposed Consideration for the Proposed Acquisition is expected to be about HK\$50,000,000. The Proposed Consideration for the Proposed Acquisition will be further negotiated, which is to be determined with reference to the projected profit of the Target as at the end of 2017 and adjusted by the parties based on results of the due diligence review.

Deposit

The Company shall pay a refundable Initial Deposit in the amount of HK\$25,000,000 to the Vendor within 5 Business Days from the date of the MOU. If the parties fail enter into any Formal Agreement within 3 months from the date of the MOU (or such longer period as mutually agreed by the parties), the Vendor will refund the Initial Deposit in full to the Company without interest within 5 Business Days thereafter. If a Formal Agreement is entered into between the parties, the Initial

Deposit will be applied toward payment as deposit for, and/or satisfaction of, part of the Proposed Consideration for the Proposed Acquisition. The remaining of the Proposed Consideration shall be payable at Closing.

Conditions precedent

It is expected that the Formal Agreement shall contain, among other things, the following conditions precedent which shall be satisfied before completion of the Proposed Acquisition:

- (a) the Company having completed and being satisfied with the outcome of its due diligence review on the Target Company;
- (b) the Company having obtained all necessary consents and approvals (if required) in accordance with the applicable laws and regulations (including the Listing Rules) in relation to the Formal Agreement and the transactions contemplated therein;
- (c) all licences, permissions, authorisations, regulatory approvals and consents in relation to the Proposed Acquisition under any applicable laws having been obtained (if any);
- (d) Target Company having been operated in the normal course of its business during the period between the date of the Formal Agreement and Closing; and
- (e) no material adverse change (to be defined in the Formal Agreement) having occurred in the Target Company prior to Closing.

Non-legally binding nature

The MOU is non-legally binding for provisions relating to the Proposed Acquisition, save for provisions relating to confidentiality, definitive agreements, and the governing law provisions of the MOU, which are legally binding.

Reasons for the Proposed Acquisition

The Company as an investment company, and through its subsidiaries, is principally engaged in the design, manufacture, marketing and sale of Swiss-made mechanical and quartz premium watches for men and women.

The Target Company is a limited company principally engaged in the business of the trading of luxury brand watches.

The intention of the acquisition of the Target Company is to combine the resources of the Vendor to diversify the business scope of the Group. It provides an attractive opportunity for the Company to enhance its future development to participate in the sales of watches other than its self-branded watches and hence, strengthen its revenue basis.

LISTING RULES IMPLICATION

The Target Company is a company wholly-owned by the Vendor, a director and a substantial shareholder (as defined under the Listing Rules) of the Company. As such, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules. The Proposed Acquisition, if materialized, may constitute a major and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules.

The Company will make further announcement as and when appropriate and comply with all applicable requirements under Chapter 14 and Chapter 14A of the Listing Rules.

WARNING NOTICE

The MOU may or may not lead to the entering into of any definitive agreement(s) for the Proposed Acquisition. The Proposed Acquisition, if materialized, may constitute a notifiable and connected transaction for the Company under the Listing Rules. The Company will make further announcement(s) as and when appropriate and comply with all other applicable requirements under the Listing Rules. As the Proposed Acquisition may or may not be materialised, shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“Board”	the board of Directors
“Business Days”	means a day (other than a Saturday, Sunday and Public Holiday) on which licensed banks are open for business in Hong Kong
“Closing”	closing of the Proposed Acquisition
“Company”	Ernest Borel Holdings 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(s)”	as defined under the Listing Rules
“Director(s)”	director(s) of the Company
“Formal Agreement”	the sale and purchase agreement to be entered into between and among the parties to the MOU in relation to the Proposed Acquisition

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Deposit”	a sum of HK\$25,000,000 to be paid by the Company to the Vendor pursuant to the MOU
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the non-legally binding memorandum of understanding dated 10 May 2017 entered into between the Company and the Vendor in relation to the Proposed Acquisition
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Consideration”	the proposed consideration of the Proposed Acquisition, which is expected to be about HK\$50,000,000
“Proposed Acquisition”	the proposed acquisition of the entire issued share capital of the Target Company by the Company contemplated under the MOU, subject to the entering into of the Formal Agreement
“Share(s)”	the ordinary share(s) with a nominal value of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Top Win International Trading Limited 恆榮國際貿易有限公司, a company incorporated in Hong Kong
“Vendor”	Mr. Sit Yau Chiu (薛由釗), a director and a substantial shareholder (as defined under the Listing Rules) of the Company

By Order of the Board of
ERNEST BOREL HOLDINGS LIMITED
Sit Yau Chiu
Executive Director

Hong Kong, 11 May 2017

As at the date of this announcement, the Board comprises of the following members:–

Executive Directors: Mr. Sit Yau Chiu, Mr. Xiong Wei and Ms. Liu Libing

Non-executive Directors: Mr. Chan Kwan Pak Gilbert, Mr. Pan Di and Ms. Lou Liuqing

Independent Non-executive Directors: Mr. Lo Chi Chiu, Mr. Choi Tze Kit Sammy and Mr. To Chun Kei