

*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.*



## **ERNEST BOREL HOLDINGS LIMITED**

**依波路控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1856)**

### **MAJOR AND CONNECTED TRANSACTION: ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF TOP WIN INTERNATIONAL TRADING LIMITED**

**Financial adviser to the Company**



#### **THE SALE AND PURCHASE AGREEMENT**

Reference is made to the announcements of the Company dated 11 May 2017, 9 August 2017 and 9 November 2017 in relation to the entering into of the MOU, extension and further extension of the expiry date of the MOU, respectively.

The Board announces that on 30 November 2017, the Purchaser, a wholly-owned subsidiary of the Company entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares, representing 100% of the issued share capital of the Target Company for a consideration of HK\$50,000,000.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 25% but are less than 100%, the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder constitute a major transaction of the Company and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 of the Listing Rules.



As at the date of this announcement, the Target Company is a company wholly owned by the Vendor, who is a director and a substantial shareholder of the Company. Accordingly, the Vendor is a connected person of the Company and the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

An independent board committee of the Company comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder. Astrum Capital Management Limited has been appointed as the independent financial adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further particulars of the Acquisition together with, the recommendations of the Independent Board Committee, a letter from the Independent Financial Adviser, and a notice convening the EGM is expected to be despatched to the Shareholders on or before 31 December 2017 as additional time is required for the preparation of the relevant information to be included in the circular.

## **THE SALE AND PURCHASE AGREEMENT**

Reference is made to the announcements of the Company dated 11 May 2017, 9 August 2017 and 9 November 2017 in relation to the entering into of the MOU, extension and further extension of the expiry date of the MOU, respectively. The Board announces that on 30 November 2017, the Purchaser, a wholly-owned subsidiary of the Company entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares, representing 100% of the issued share capital of the Target Company for a consideration of HK\$50,000,000.

The principal terms of the Sale and Purchase Agreement are summarized as follows:

### **Date**

30 November 2017

### **Parties**

The Purchaser:	Swissmount Holdings Limited, a direct wholly-owned subsidiary of the Company
----------------	--



The Vendor: Mr. Sit Yau Chiu, a director and a substantial shareholder of the Company

The Target Company: Top Win International Trading Limited, which is wholly-owned by the Vendor

### **Subject Matter**

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 100% of the total issued share capital of the Target Company as of the date of this announcement.

As at the date of this announcement, the entire issued share capital of the Target Company is directly held by the Vendor. Immediately upon Completion, the total issued share capital of the Target Company will be wholly-owned by the Purchaser. Therefore, the financial results of the Target Company will be consolidated into the financial statements of the Group.

### **Consideration**

Subject to the adjustment pursuant to the Profit Guarantee, the consideration shall be HK\$50,000,000, of which HK\$25,000,000 has been settled by way of payment of the Deposit by the Company and HK\$25,000,000 shall be payable by the Purchaser upon Completion. The consideration was determined on the basis of normal commercial terms and after arm's length negotiations between the Vendor and the Purchaser after taking into account, among others, (i) the preliminary estimation of the fair market value of the Target Company at HK\$61,500,000 as at 31 October 2017 by Greater China Appraisal Limited, a qualified independent third party valuer in Hong Kong, adopting the market approach less a discount based on arm's length negotiation; and (ii) the Profit Guarantee given by the Vendor.

### **Conditions Precedent**

Completion of the Acquisition is conditional upon the satisfaction (or waiver, if applicable) of the following conditions precedent:

- (a) the Purchaser having completed and being satisfied with the outcome of its due diligence review on the Target Company;
- (b) the Purchaser 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 Sale and Purchase Agreement and the transactions contemplated thereunder;
- (c) the approval having been obtained from the Independent Shareholders at the EGM for the Sale and Purchase Agreement and the transactions contemplated thereunder;



- (d) all licences, permissions, authorisations, regulatory approvals and consents in relation to the Acquisition under any applicable laws having been obtained (if any);
- (e) the Target Company having been operated in the normal course of its business during the period between the date of the Sale and Purchase Agreement and the Completion; and
- (f) no material adverse change in the business, operations, assets, liabilities, condition (whether financial, trading or otherwise), prospects or operating results of the Target Company having or reasonably being expected to have occurred excluding the following if the following have a materially disproportionate effect on the Target Company compared to other companies in the industries in which the Target Company operates:
  - (i) changes in stock markets, interest rates, exchange rates, commodity prices or other general economic conditions;
  - (ii) changes in conditions generally affecting the industries in which the Target Company operates;
  - (iii) changes in applicable laws, regulations or accounting standards or practices; or
  - (iv) the announcement of the Acquisition or the change in control of the Target Company resulting from this Acquisition.

Save and except conditions precedent set out in (a), (e) and (f) which can be waived by the Purchaser by notice in writing, no other conditions precedent can be waived.

If any of the aforesaid conditions precedent has not been fulfilled (or waived, as the case may be) on or before 31 March 2018 or such other date as the Vendor and the Purchaser may agree in writing, the Vendor shall forthwith return the Deposit to the Company without interest and the Sale and Purchase Agreement shall cease to be of any effect except those in relation to notices, costs and expenses and governing law, etc. which shall remain in full force and effect and save in respect of any claims arising out of any antecedent breach of the Sale and Purchase Agreement.

## **Completion**

Completion shall take place on five (5) Business Days after the satisfaction (or waiver, if applicable) of the last condition precedent as set out hereinabove or such other dates the Purchaser and the Vendor may agree in writing in accordance with the terms in the Sale and Purchase Agreement.

## **Profit Guarantee**

Pursuant to the Sale and Purchase Agreement, the Vendor irrevocably warrants and guarantees to the Purchaser that the 2017 Net Profit shall not be less than HK\$5,000,000.



In the event that the 2017 Net Profit falls below HK\$5,000,000, the consideration shall be adjusted downward based on the formula set out below:

$$A = (\text{HK\$}5,000,000 - B) \times C$$

where

A = shortfall

B = 2017 Net Profit

C = 10

The Vendor shall repay the shortfall calculated based on the formula hereinabove in cash within fourteen (14) Business Days upon the delivery of the 2017 Accounts by the Vendor to the Purchaser or on such other dates as the Vendor and the Purchaser may from time to time mutually agree in writing.

The multiple 10 represents the price-to-earnings ratio derived by reference to the Consideration over the Guaranteed Profit.

#### **Additional Undertaking by the Vendor**

The Vendor covenants to the Purchaser that the net asset value of the Company according to the 2017 Accounts, shall not be less than HK\$7,000,000.

#### **INFORMATION ON THE PURCHASER, THE VENDOR AND THE TARGET COMPANY**

##### **The Purchaser**

The Group is principally engaged in the design, manufacture, marketing and sale of Swiss-made mechanical and quartz premium watches for men and women. The Purchaser is a company established in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company and is engaged in investment holding.

##### **The Vendor**

The Vendor is an individual and, as at the date of this announcement, beneficially holds the entire issued share capital of the Target Company and is a director and a substantial shareholder of the Company and hence a connected person of the Company under Chapter 14A of the Listing Rules.



## The Target Company

The Target Company is a company incorporated in Hong Kong with limited liability, which is wholly owned by the Vendor. It is principally engaged in the business of the trading of luxury brand watches.

The table below sets forth a summary of certain audited financial information of the Target Company for the two years ended 31 December 2016.

	<b>For the year ended 31 December 2015</b> <i>HK\$</i>	<b>For the year ended 31 December 2016</b> <i>HK\$</i>
Profit before taxation	1,634,757	2,614,706
Profit attributable to the shareholders of the Target Company	1,492,567	2,147,953

The audited net asset value of the Target Company as at 31 December 2016 was HK\$8,304,488.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group 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 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.

The Directors (excluding all the independent non-executive Directors of the Company, who will give their opinion based on the recommendations from the Independent Financial Adviser) are of the view that the terms of the Acquisition, which have been agreed after arm's length negotiations, are on normal commercial terms and such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 25% but are less than 100%, the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder constitute a major transaction of the Company and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 of the Listing Rules.



As at the date of this announcement, the Target Company is a company wholly owned by the Vendor, who is a director and a substantial shareholder of the Company. Accordingly, the Vendor is a connected person of the Company and the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

An independent board committee of the Company comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder. Astrum Capital Management Limited has been appointed as the independent financial adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further particulars of the Acquisition together with, the recommendations of the Independent Board Committee, a letter from the Independent Financial Adviser, and a notice convening the EGM is expected to be despatched to the Shareholders on or before 31 December 2017 as additional time is required for the preparation of the relevant information to be included in the circular.

## **WARNING NOTICE**

**Shareholders and potential investors of the Company should be aware that the Acquisition is subject to a number of conditions being satisfied, including but not limited to the approval of the Acquisition at the EGM by the Independent Shareholders, and consequently the Acquisition may or may not proceed. Accordingly, Shareholders and potential investors are advised to exercise caution when they deal or contemplate dealing in the Shares or other securities (if any) of the Company.**

## **DEFINITIONS**

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

“2017 Accounts”	in relation to the Target Company, the audited balance sheet of the Company as of 31 December 2017; and the audited statements of income, owner’s equity and cash flows of the Company for the year ended 31 December 2017, together with any notes, reports or statements included in or annexed to them
“2017 Net Profit”	the audited net profit after tax of the Target Company for the financial year ended 31 December 2017



“Acquisition”	the acquisition of the Sale Shares in the Target Company by the Purchaser from the Vendor pursuant to the terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and Public Holiday) on which licensed banks are open for business in Hong Kong
“Company”	Ernest Borel Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed and traded on the main board of the Stock Exchange (Stock code: 1856)
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Deposit”	the refundable deposit paid by the Company to the Vendor on 12 May 2017 pursuant to the MOU in the amount of HK\$25,000,000
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Guaranteed Profit”	HK\$5,000,000, pursuant to the Profit Guarantee
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder



“Independent Financial Adviser”	Astrum Capital Management Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) who are not required to abstain from voting at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“MOU”	the non-legally binding memorandum of understanding dated 10 May 2017 entered into between the Company and the Vendor in relation to the acquisition of the Sale Shares
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan)
“Profit Guarantee”	the irrevocable guarantee provided by the Vendor to the Purchaser that the 2017 Net Profit shall not be less than HK\$5,000,000
“Purchaser”	Swissmount Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 30 November 2017 entered into between the Purchaser and the Vendor in respect of the Acquisition
“Sale Shares”	100% of the total issued share capital of the Target Company
“Share(s)”	the ordinary share(s) with nominal value of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Target Company”	Top Win International Trading Limited (恒榮國際貿易有限公司), a company incorporated in Hong Kong with limited liability, which is wholly owned by the Vendor as at the date of this announcement
“Vendor”	Mr. Sit Yau Chiu (薛由釗), an individual who holds the entire issued share capital of the Target Company and is a director and a substantial shareholder of the Company as at the date of this announcement
“%”	percent

By Order of the Board of  
**ERNEST BOREL HOLDINGS LIMITED**  
**Sit Yau Chiu**  
*Chairman*

Hong Kong, 30 November 2017

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

<i>Executive Directors:</i>	Mr. Sit Yau Chiu and Mr. Xiong Wei
<i>Non-executive Directors:</i>	Mr. Chan Kwan Pak Gilbert and Ms. Lou Liu Qing
<i>Independent non-executive Directors:</i>	Mr. Lo Chi Chiu, Mr. To Chun Kei and Mr. Lui Wai Ming