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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)

MAJOR TRANSACTION ACQUISITION OF THE ENTIRE EQUITY INTEREST OF THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE ACQUISITION

The Board is pleased to announce that on 21 November 2022 (after trading hours), the Purchaser, a direct wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares (representing the entire issued share capital of the Target Company) at the Consideration in accordance with the terms and conditions of the Agreement. The Consideration of HK\$140,000,000 shall be satisfied as to (i) HK\$100,000,000 by way of the allotment and issue of the Consideration Shares to the Vendor; and (ii) HK\$40,000,000 in cash, subject to the satisfaction of the Profit Guarantee.

IMPLICATION UNDER THE LISTING RULES

As one or more of the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 25% but all are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

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

A circular containing, among other things, (i) further information of the Acquisition; (ii) financial information of the Target Company; (iii) unaudited pro forma financial information of the Group as enlarged by the Acquisition; (iv) the Valuation Report; (v) general information; and (vi) the notice of the EGM will be despatched to the Shareholders on or before 8 December 2022 in accordance with the Listing Rules.

WARNING

Shareholders and potential investors of the Company should be aware that the Acquisition is subject to conditions to be satisfied, and consequently the Acquisition may or may not proceed. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing or contemplating dealing in the securities of the Company.

The Board is pleased to announce that on 21 November 2022 (after trading hours), the Purchaser, a direct wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares (representing the entire issued share capital of the Target Company) at the Consideration in accordance with the terms and conditions of the Agreement. The Consideration of HK\$140,000,000 shall be satisfied as to (i) HK\$100,000,000 by way of the allotment and issue of the Consideration Shares to the Vendor; and (ii) HK\$40,000,000 in cash, subject to the satisfaction of the Profit Guarantee.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date

21 November 2022

Parties

- (i) the Vendor; and
- (ii) the Purchaser

As at the date of this announcement, the Vendor is indirectly owned as to 25% by Citychamp, a substantial shareholder of the Company. The ultimate beneficial owner of Citychamp is Mr. Hon Kwok Lung who is interested in approximately 69.65% of the total issued share capital of Citychamp as at the date of this announcement. The other shareholders of the Vendor are Mr. Chan Heung Wai, Debby, Ms. Yeung Yuk Kwan and Peaceful Consultants Ltd. (which is wholly owned by Mr. Yang Hua), holding 41%, 10% and 24% respectively of the issued share capital of the Vendor.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Vendor and its ultimate beneficial owners (except Citychamp and Mr. Hon Kwok Lung) are Independent Third Parties.

Subject Matter

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

As at the date of this announcement, the Sale Shares of the Target Company is directly held by the Vendor. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Group. The Purchaser shall not transfer, charge, encumber or dispose of any of the Sale Shares without the consent of the Vendor until the Purchaser has discharged all of its obligations in relation to the payment of the Consideration.

Consideration

Subject to the adjustment pursuant to the Profit Guarantee, the Consideration for the Acquisition shall be HK\$140,000,000, which shall be settled by the Purchaser in the following manner:

- (a) as to HK\$100,000,000, representing approximately 71.43% of the Consideration, shall be satisfied by way of the allotment and issue of 38,461,538 Consideration Shares credited as fully paid up at the Issue Price per Consideration Share to the Vendor; and
- (b) as to HK\$40,000,000, representing approximately 28.57% of the Consideration, shall be settled in cash by the Purchaser.

Payment Terms

Subject to the adjustment pursuant to the Profit Guarantee, the Consideration will be paid by the Purchaser to the Vendor in instalments as follows:

- (a) *First instalment of Consideration Shares:* 12,820,512 Consideration Shares shall be allotted and issued to the Vendor (i) on 3 January 2023 (on condition that the Completion takes place on 30 December 2022); or (ii) within 10 Business Days after the Completion Date (if the Completion Date is not 30 December 2022);
- (b) *First instalment of Cash Consideration:* HK\$13,333,333.3 of the Cash Consideration shall be paid by the Purchaser transferring such amount to the designated bank account of the Vendor (i) on 1 April 2024, if the Annual Financial Statements for the year ended 31 December 2023 has been issued on or before 31 March 2024; or (ii) within 30 Business Days after the issuance of the Annual Financial Statements for the year ended 31 December 2023 if the Annual Financial Statements for the year ended 31 December 2023 is issued after 31 March 2024;

(c) *Second instalment:*

- (i) if the 2024 H1 Profit is not less than HK\$14,000,000, an amount up to HK\$13,333,333.3 of the Cash Consideration shall be paid by the Purchaser by transferring such amount to the designated bank account of the Vendor on 1 September 2024, and paragraph (c)(ii) and (iii) below shall not apply. If the 2024 H1 Profit is HK\$10,000,000 or more but less than HK\$14,000,000, the Cash Consideration will be paid on 1 September 2024 according to the below table:

2024 H1 Profit	Cash Consideration
HK\$10,000,000 or more, but less than HK\$12,000,000	HK\$10,000,000.00
HK\$12,000,000 or more, but less than HK\$14,000,000	HK\$12,000,000.00
HK\$14,000,000 or above	HK\$13,333,333.30

- (ii) if the 2024 H1 Profit is HK\$10,000,000 or more but less than HK\$14,000,000, any shortfall between HK\$13,333,333.3 of the Cash Consideration and the amount of Cash Consideration paid under paragraph (c)(i) above shall be paid by the Purchaser by transferring such amount to the designated bank account of the Vendor (i) on 1 April 2025 if the Annual Financial Statements for the year ended 31 December 2024 has been issued on or before 31 March 2025; or (ii) within 30 Business Days after the issuance of the Annual Financial Statements for the year ended 31 December 2024 if the Annual Financial Statements for the year ended 31 December 2024 is issued after 31 March 2025, and paragraph (c)(iii) below shall not apply;
- (iii) if the 2024 H1 Profit is less than HK\$10,000,000, up to HK\$13,333,333.3 of the Cash Consideration shall be paid by the Purchaser by transferring such amount to the designated bank account of the Vendor (i) on 1 April 2025 if the Annual Financial Statements for the year ended 31 December 2024 has been issued on or before 31 March 2025; or (ii) within 30 Business Days after the issuance of the Annual Financial Statements for the year ended 31 December 2024 if the Annual Financial Statements for the year ended 31 December 2024 is issued after 31 March 2025; and
- (iv) 12,820,513 Consideration Shares shall be allotted and issued to the Vendor (i) on 1 April 2025 if the Annual Financial Statements for the year ended 31 December 2024 has been issued on or before 31 March 2025; or (ii) within 30 Business Days after the issuance of the Annual Financial Statements for the year ended 31 December 2024 if the Annual Financial Statements for the year ended 31 December 2024 is issued after 31 March 2025;
- (d) *Third instalment:* HK\$13,333,333.4 of the Cash Consideration shall be paid by the Purchaser by transferring such amount to the designated bank account of the Vendor and 12,820,513 Consideration Shares shall be allotted and issued to the Vendor (i) on 1 April 2026 if the Annual Financial Statements for the year ended 31 December 2025 has been issued on or before 31 March 2026; or (ii) within 30 Business Days after the

issuance of the Annual Financial Statements for the year ended 31 December 2025 if the Annual Financial Statements for the year ended 31 December 2025 is issued after 31 March 2026.

Profit Guarantee and Adjustment of Consideration

The Vendor guarantees to the Purchaser that the net Profit after tax of the Target Company for each of the financial years ending 31 December 2023, 31 December 2024 and 31 December 2025 shall not be less than HK\$30,000,000. If the net Profit after tax stated in the Annual Financial Statements falls short of the Profit Guarantee in any such year, an amount equal to 1.5 times the amount by which the actual net Profit after tax is less than the Profit Guarantee (“**Profit Compensation**”) shall be payable by the Vendor to the Purchaser.

The Consideration shall be reduced by the amount of the Profit Compensation, firstly by reduction of the outstanding Consideration Shares for the instalment, and then the balance of the Profit Compensation shall be reduced by the outstanding Cash Consideration for the instalment. Moreover, for any instalment of the Consideration, if the Profit Compensation is larger than the outstanding unpaid amount of the instalment, the Vendor shall compensate the Purchaser by paying to the Purchaser the shortfall (i.e. the difference between the Profit Compensation and the outstanding unpaid amount of the instalment of the Consideration) in cash within 30 Business Days after the issuance of the Annual Financial Statements for the relevant financial year.

Basis of Consideration

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendor on normal commercial terms after taking into account (i) the historical financial performance of the Target Company, the PRC Subsidiary and the HK Subsidiary pursuant to their respective audited financial statements for the years ended 31 December 2020 and 2021; (ii) the business overview and prospect of the Target Group; (iii) the Profit Guarantee provided by the Vendor; and (iv) the Valuation Report.

Conditions Precedent

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

- (a) the HK Subsidiary and the PRC Subsidiary being and remaining as 100%-owned subsidiaries of the Target Company;
- (b) all subsidiaries and/or investee entities of the Target Company other than the HK Subsidiary and the PRC Subsidiary having been disposed by the Target Company;
- (c) no money being due and/or owing by any company of the Target Group (i) to the Vendor, any of the Vendor’s existing shareholders and/or their respective associates; and (ii) to other parties; in both cases, except for the liabilities of the Target Group shown in the audited consolidated statement of financial position of the Target Group as at 31 December 2022 (or such other date as agreed by the Purchaser) audited by an audit firm to be appointed by the Purchaser;

- (d) the Vendor being, and remaining as, the sole shareholder of the Target Company;
- (e) the Purchaser having completed due diligence examinations of the Group, with the results and outcome of the due diligence examinations being reasonably satisfactory to the Purchaser;
- (f) during the period from the date of signing the Agreement to the Completion Date, no action, legal proceeding, lawsuit or public inquiry has been taken or initiated by any relevant government agency, or no request or decree or judgment (whether temporary, preliminary or permanent), making the transfer of the Sale Shares by the Vendor to Purchaser or any transaction under the Agreement unlawful, void, unenforceable or otherwise prohibited or restricted;
- (g) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or other relevant third parties in connection with the transactions contemplated by the Agreement required to be obtained on the part of the Vendor and the Purchaser having been obtained;
- (h) the Listing Committee of the Stock Exchange having approved the listing of, and permission to deal in the Consideration Shares, and such approval shall not be threatened with any revocation, withdrawal or cancellation at any time prior to Completion;
- (i) from the date of the Agreement and at any time before the Completion, the warranties remain true and accurate in all material respect and not misleading in any material respect and no events have occurred that would result in any breach of any warranties or other provisions of the Agreement by the Vendor in any material respects;
- (j) there is no occurrence of any material adverse change nor any events, matters or circumstances in relation to the standstill obligations under the Agreement with respect to any company of the Target Group; and
- (k) the Actual NAV, as shown in the audited consolidated statement of financial position of the Target Group as at 31 December 2022 (or such other date as agreed by the Purchaser) audited by an audit firm to be appointed by the Purchaser, is not less than the Target NAV.

Save for the condition set out in paragraph (h) above, the Purchaser may at its sole and absolute discretion and at any time waive, by notice in writing to the Vendor, all or any of the conditions precedent above. Such waiver may be made subject to such terms and conditions as are determined by the Purchaser.

If the conditions precedent have not been satisfied, or where applicable, waived on or before 12:00 noon on the Long Stop Date, the Agreement shall cease and terminate and neither Vendor nor the Purchaser shall have any obligations and liabilities under the Agreement save for any antecedent breaches.

Completion

Subject to satisfaction of all the conditions precedent in full (save for any condition precedent the full compliance with or satisfaction of which has been waived by the Purchaser), Completion shall take place on the Completion Date.

THE CONSIDERATION SHARES

The Consideration Shares will be allotted and issued at the Issue Price of HK\$2.6 each, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Issue Price of HK\$2.6 per Consideration Share represents:

- (a) a premium of approximately 18.18% over the closing price of the Shares of HK\$2.20 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 20.37% over the average closing price of the Shares of HK\$2.16 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (c) a premium of approximately 20.65% over the average closing price of the Shares of HK\$2.155 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day; and

The Consideration Shares, being 38,461,538 new Shares (assuming no adjustment pursuant to the Profit Guarantee will be made), represent (i) approximately 11.07% the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.97% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there will be no change to the total number of Shares in issue from the date of this announcement to the date of issue of the Consideration Shares in full other than the issue of the Consideration Shares by the Company). The Vendor is not expected to become a substantial shareholder of the Company upon Completion and the allotment and issue of the Consideration Shares will not result in a change of control of the Company.

The aggregate nominal value of the Consideration Shares is HK\$384,615.38.

The Issue Price was determined after arm's length negotiations among the parties taking into account, among other things, the prevailing market performance of the Shares. The Directors consider that the Issue Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Consideration Shares will be allotted and issued pursuant to the General Mandate. Under the General Mandate, the Directors are allowed to allot and issue up to 69,487,400 Shares, representing 20% of the issued share capital of the Company as of the date on which

the General Mandate was granted. As at the date of this announcement, no Share has been issued and allotted under the General Mandate. Accordingly, the allotment and issue of the Consideration Shares is not subject to Shareholders' approval.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares

Lock-up of Consideration Shares

All Consideration Shares shall be subject to a lock-up period of eighteen (18) calendar months from the date of issue during which the Vendor shall not transfer, charge, encumber or dispose of any such Consideration Shares without the consent of the Purchaser.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon the allotment and issuance of all the Consideration Shares (assuming there will not be any change in the issued share capital of the Company from the date of this announcement up to and including the date of allotment and issue of the Consideration Shares with no adjustment being made):

Shareholders	As at the date of this announcement		Immediately upon the allotment and issuance of all the Consideration Shares (assuming there will not be any change in the issued share capital of the Company from the date of this announcement up to and including the date of allotment and issue of the Consideration Shares with no adjustment being made)	
	Number of shares	Approximate % of issued Shares	Number of shares	Approximate % of issued Shares
Mr. Hon Kwok Lung ⁽¹⁾	222,634,485	64.08	222,634,485	57.69
Ms. Xu Hong ⁽²⁾	37,935,000	10.92	37,935,000	9.83
Vendor	—	—	38,461,538	9.97
Other public shareholders	86,867,515	25.00	86,867,515	22.51
Total	347,437,000	100.00	385,898,538	100.00

Notes:

- (1) Of the 222,634,485 Shares in the issued share capital of the Company, 217,834,485 Shares are directly held by VGB Limited and 4,800,000 Shares are directly held by Full Day Limited (“**Full Day**”). VGB Limited is wholly-owned and controlled by Citychamp. Citychamp is the controlled corporation of each of Sincere View International Limited (“**Sincere View**”) and Full Day. Accordingly, each of Citychamp, Sincere View and Full Day is deemed to be interested in the Shares held by VGB Limited under Part XV of the SFO. Mr. Hon Kwok Lung held the entire issued share capital of Full Day. Sincere View is the controlled corporation of each of Mr. Hon Kwok Lung and his spouse, Ms. Lam Suk Ying. Accordingly, Mr. Hon Kwok Lung is deemed to be interested in 222,634,485 Shares. Mr. Hon Kwok Lung and Ms. Lam Suk Ying also directly held 3,500,000 shares and 1,374,000 shares in the issued share capital of Citychamp, respectively.

- (2) 37,935,000 Shares in the issued share capital of the Company are directly held by Prime Route Investment Limited (“**Prime Route**”). Prime Route is a company wholly-owned and controlled by Ms. Xu Hong. Ms. Xu Hong is therefore deemed to be interested in the Shares held by Prime Route under Part XV of the SFO.

TARGET RESTRUCTURING

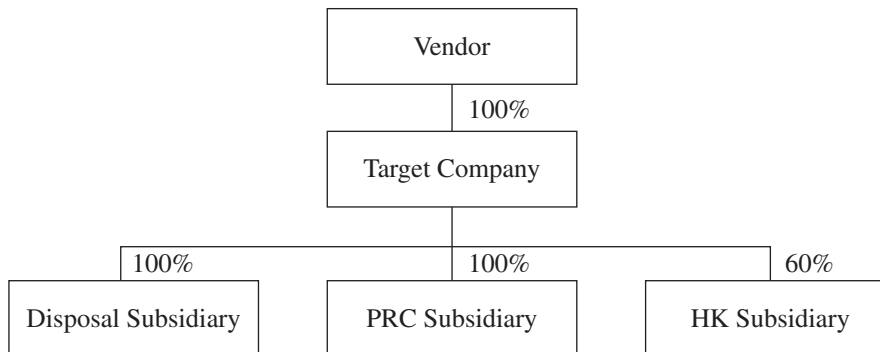
As at the date of this announcement, the Target Company directly holds and owns 100% equity interest in the Disposal Subsidiary and the PRC Subsidiary and 60% equity interest in the HK Subsidiary. Pursuant to the terms and conditions of the Agreement, the Target Company shall undergo the Target Restructuring which includes (i) the disposal of the Disposal Subsidiary; and (ii) the transfer of 40% of the equity interest in the HK Subsidiary from the HK Subsidiary Shareholder to the Target Company.

The Disposal Subsidiary is engaged in manufacturing of copper watches cases and provision of watch assembly services businesses. Given that (i) the Disposal Subsidiary does not form part of the core business of design, development and manufacturing of stainless-steel alloy watches cases and smart watch cases on ODM or OEM basis that the Purchaser intends to acquire; and (ii) the Disposal Subsidiary was not taken into account in determining the Consideration, the Target Company shall dispose of all its equity interest in the Disposal Subsidiary before the Completion.

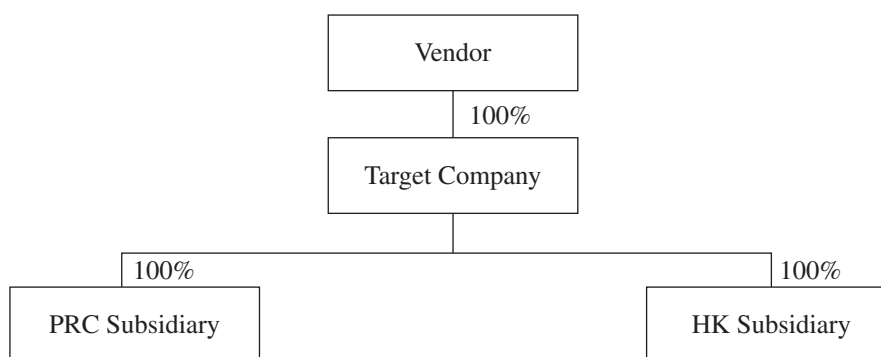
Completion of Target Restructuring is one of the conditions precedent to Completion under the Agreement. Upon completion of the Target Restructuring, the Target Company will own the entire equity interests in the HK Subsidiary and will cease to hold any interest in the Disposal Subsidiary. The results, assets and liabilities of the Disposal Subsidiary will not be consolidated into the financial statements of the Group upon Completion.

Set out below are the corporate structure of the Target Company (i) as at the date of the Agreement; and (ii) upon completion of the Target Restructuring:

- (i) As at the date of the Agreement



(ii) Upon completion of the Target Restructuring



INFORMATION ON THE PARTIES

Information on the Purchaser and the Group

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.

Information on the Vendor

The Vendor is a company incorporated in Hong Kong with limited liability and is principally engaged in manufacturing of watches and related accessories in the PRC. As at the date of this announcement, the Vendor is indirectly owned as to 25% by Citychamp, the substantial shareholder of the Company. The ultimate controlling shareholder of Citychamp is Mr. Hon Kwok Lung who is interested in approximately 69.65% of the total issued share capital of Citychamp as at the date of this announcement. The other shareholders of the Vendor are Mr. Chan Heung Wai, Debby, Ms. Yeung Yuk Kwan and Peaceful Consultants Ltd. (which is wholly owned by Mr. Yang Hua), holding 41%, 10% and 24% respectively of the issued share capital of the Vendor.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong with limited liability and is wholly owned by the Vendor as at the date of this announcement. The Target Company is principally engaged in investment holding. The HK Subsidiary is principally engaged in distribution of watches and timepieces. The PRC Subsidiary is principally engaged in design, development and manufacturing of stainless-steel alloy watches cases and smart watch cases on ODM or OEM basis. As at the date of this announcement, the Target Company is wholly owned by the Vendor.

Financial Information of the Target Company, the HK Subsidiary and the PRC Subsidiary

Set out below is the audited financial information of the Target Company and the HK Subsidiary prepared in accordance with the generally accepted accounting principles of Hong Kong:

Target Company

	31 December 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Revenue	—	—
Net profit/(loss) before tax	1,233.89	2,976.97
Net profit/(loss) after tax	1,233.89	2,976.97

As at 31 December 2021, the audited net liabilities of the Target Company were approximately HK\$15,005,726.

HK Subsidiary

	31 December 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Revenue	10,250.17	11,651.75
Net profit/(loss) before tax	110.91	(399.41)
Net profit/(loss) after tax	110.91	(363.43)

As at 31 December 2021, the audited net assets of the HK Subsidiary were approximately HK\$1,756,738.

Set out below is the audited financial information of the PRC Subsidiary prepared in accordance with the generally accepted accounting principles of PRC:

PRC Subsidiary

	31 December 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Revenue	58,143.48	100,017.85
Net profit/(loss) before tax	(18,432.75)	(18,996.38)
Net profit/(loss) after tax	(18,432.75)	(18,996.38)

As at 31 December 2021, the audited net liabilities of the PRC Subsidiary were approximately RMB22,978,580.

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 Group is principally engaged in the business of design, development and manufacturing of stainless-steel alloy watches cases and smart watch cases on ODM or OEM basis. The intention of the Acquisition is 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 manufacturing and sale of smart watch components and hence, strengthen its revenue basis. The Directors believe that the smart watch market has promising growth potential and strong market demand. The Acquisition allows the Group to capture the opportunities in the smart watch market, enhance the growth potential of the Group and maximise returns to the Shareholders.

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

Mr. Teguh Halim, the chairman of the Board and the executive Director, is an executive director of Citychamp and a director of the Target Company. Mr. Teguh Halim is deemed to have material interest in and has therefore abstained from voting on the resolutions of the Board approving the Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 25% but all are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder, including the issue and allotment of the Consideration Shares.

A circular containing, among other things, (i) further information of the Acquisition; (ii) financial information of the Target Company; (iii) unaudited pro forma financial information of the Group as enlarged by the Acquisition; (iv) the Valuation Report; (v) general information; and (vi) the notice of the EGM will be despatched to the Shareholders on or before 8 December 2022 in accordance with the Listing Rules.

WARNING

Shareholders and potential investors of the Company should be aware that the Acquisition is subject to conditions to be satisfied, and consequently the Acquisition may or may not proceed. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing or contemplating dealing in the securities of the Company.

DEFINITIONS

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

“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 Agreement
“Actual NAV”	audited consolidated net asset value of the Target Group as at 31 December 2022 (or such other date as agreed by the Purchaser) as set out in audited consolidated statement of financial position of the Target Group as at 31 December 2022 (or such other date as agreed by the Purchaser) audited by an audit firm to be appointed by the Purchaser
“Agreement”	the sale and purchase agreement dated 21 November 2022 entered into between the Purchaser and the Vendor in respect of the Acquisition
“Annual Financial Statements”	the audited annual consolidated financial statements of the Target Group
“Board”	the board of Directors
“Business Day”	a day (other than Saturdays, Sundays and public holidays in Hong Kong and such other days where a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above is in force in Hong Kong), on which licensed banks in Hong Kong are open for business throughout their normal business hours
“Cash Consideration”	HK\$40,000,000, being part of the Consideration to be settled in cash by the Purchaser
“Citychamp”	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 (Stock code: 256)
“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 Agreement

“Completion Date”	means the tenth (10th) Business Day after the last of the outstanding conditions precedent shall have been fulfilled or waived or, such other date (which must be a Business Day) as may be agreed by the Purchaser and the Vendor in writing on which Completion shall take place
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$140,000,000 (subject to adjustment), being the consideration payable by the Purchaser to the Vendor for the Sale Shares
“Consideration Shares”	38,461,538 new Shares to be allotted and issued by the Company to the Vendor at the Issue Price as partial settlement of the Consideration
“Director(s)”	the director(s) of the Company
“Disposal Subsidiary”	Grand Chances (Shenzhen) Investment and Development Co., Ltd* (冠城金熹投資發展(深圳)有限公司), a company established in PRC with limited liability, which is wholly owned by the Target Company as at the date of this announcement
“EGM”	the extraordinary general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder
“General Mandate”	the general mandate granted to the Directors pursuant to the ordinary resolution of the Shareholders passed at the annual general meeting of the Company held on 27 May 2022, which allowed the Directors to allot, issue and deal with up to 69,487,400 Shares, representing 20% of the total number of issued Shares as of the date on which such general mandate was granted
“Group”	the Company and its subsidiaries
“HK Subsidiary”	Gold Choice Investments Limited, a company incorporated in Hong Kong with limited liability, which is owned as to 60% by the Target Company as at the date of this announcement
“HK Subsidiary Shareholder”	Mr. Cho Young Tai, the registered holder of 40% of the equity interest in the HK Subsidiary as at the date of this announcement

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons
“Issue Price”	HK\$2.6 per Consideration Share
“Last Trading Day”	18 November 2022, being the last trading day of the Shares before the signing of the Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 December 2022, or such later date as the Purchaser and the Vendor may agree in writing
“ODM”	original design manufacturer, a business model involving designing and manufacturing products or components for branding and resale by the customer
“OEM”	original equipment manufacturing, a business model involving manufacturing products or components in accordance with the customer’s design and specifications for branding and resale by the customer
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan)
“PRC Subsidiary”	Dongguan Grand Chances Precision Hardware Products Co., Ltd.* (東莞冠熹精密五金製品有限公司), a company established in PRC with limited liability, which is wholly owned by the Target Company as at the date of this announcement
“Profit”	the consolidated earnings from the Target Group’s core business operations, excluding extraordinary items
“Profit Guarantee”	the irrevocable guarantee provided by the Vendor to the Purchaser that net Profit after tax of the Target Group as stated in the Annual Financial Statements for each of the financial years ending 31 December 2023, 31 December 2024 and 31 December 2025 shall not be less than HK\$30,000,000

“Purchaser”	Swissmount Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	10,000 shares in the share capital of the Target Company, representing the entire issued share capital of the Target Company as at the date of this announcement
“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(s)”	has the meaning ascribed to it in the Listing Rules
“Target Company”	Gold Vantage Industrial Limited, a company incorporated in Hong Kong with limited liability, which is wholly owned by the Vendor as at the date of this announcement
“Target Group”	the Target Company, the HK Subsidiary and the PRC Subsidiary
“Target NAV”	the net asset value of the Target Group as at 31 December 2022 (or such other date as agreed by the Purchaser) of HK\$20,000,000 guaranteed by the Vendor
“Target Restructuring”	the restructuring of the Target Company and its subsidiaries prior to Completion, comprising (i) the disposal of the Disposal Subsidiary; and (ii) the transfer of 40% of the equity interest in the HK Subsidiary from the HK Subsidiary Shareholder to the Target Company
“Valuer”	Asset Appraisal Limited, an independent professional valuer appointed by the Company
“Valuation Report”	the valuation report issued by the Valuer in relation to the valuation of the entire equity interest in the Target Company as at 30 September 2022 (assuming the Target Restructuring has been completed) using the market approach
“Vendor”	Fair Future Industrial Limited, a company incorporated in Hong Kong with limited liability, who is an Independent Third Party

“2024 H1 Profit” the net Profit after tax for the six months ending 30 June 2024 of the Target Group as stated in the unaudited consolidated management accounts mutually agreed by the Purchaser and the Vendor

“%” per cent.

By the order of the Board
Ernest Borel Holdings Limited
Teguh Halim
Chairman

Hong Kong, 21 November 2022

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

Executive Directors: Mr. Teguh Halim and Ms. Lam Lai

Non-executive Directors: Mr. Xiong Ying

*Independent
Non-executive Directors:* Mr. To Chun Kei, Mr. Hui Cheuk Kit Frederick and
Ms. Chan Lai Wa

* *For identification purposes only*