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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)

CONTINUING CONNECTED TRANSACTION MASTER PROCESSING SERVICE FRAMEWORK AGREEMENT

On 30 November 2023, the Company and Fair Future entered into the Master Processing Service Framework Agreement pursuant to which the Group, may, from time to time, provide Watch Components Processing Services to the Fair Future Group during the term of the Master Processing Service Framework Agreement.

As at the date of this announcement, Mr. Chan was a former director of Dongguan Grand Chances, a subsidiary of the Company, within the past 12 months. He is therefore a connected person of the Company under Chapter 14A of the Listing Rules. As Mr. Chan and his immediate family member together hold 51% of the shares of Fair Future, Fair Future is an associate of Mr. Chan and hence a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, the Master Processing Service Framework Agreement and the transaction contemplated thereunder constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

While one or more of the applicable percentage ratios in respect of the Master Processing Service Framework Agreement are more than 5%, as (i) Fair Future is a connected person of the Company at the subsidiary level; (ii) the Directors (including the independent non-executive Directors) have approved the Master Processing Service Framework Agreement and the transactions contemplated thereunder; (iii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the Master Processing Service Framework Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole; the Master Processing Service Framework Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements, but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

Mr. Teguh Halim, the chairman of the Board and an executive Director, is an executive director of Fair Future. Mr. Halim is therefore deemed to have material interest in and has therefore abstained from voting on the resolutions of the Board approving the Master Processing Service Framework Agreement and the transactions contemplated thereunder.

INTRODUCTION

On 30 November 2023, the Company and Fair Future entered into the Master Processing Service Framework Agreement, pursuant to which the Group may, from time to time, provide Watch Components Processing Services to the Fair Future Group during the term of the Master Processing Service Framework Agreement.

THE MASTER PROCESSING SERVICE FRAMEWORK AGREEMENT

The principal terms of the Master Processing Service Framework Agreement are set out as follows:

- Date : 30 November 2023
- Parties : (1) The Company
(2) Fair Future
- Term : From 1 December 2023 to 30 September 2024, unless terminated by either party by giving 30 days' prior written notice to the other party.
- Subject matter : The Group may, from time to time, provide Watch Components Processing Services to the Fair Future Group. The Group and the Fair Future Group may, from time to time, enter into separate transactions by entering into separate agreements, and such agreements shall be subject to the general terms and conditions recorded in the Master Processing Service Framework Agreement.

The actual amount of Watch Components Processing Services to be provided by the Group, the payment terms and the time and place of provision of Watch Components Processing Services concerned shall conform to the separate agreements to be entered into between the Fair Future Group and the Group.

PRICING POLICY

The service fee and terms of Watch Components Processing Services provided by the Group to the Fair Future Group under the Master Processing Service Framework Agreement shall be conducted on normal commercial terms, in particular, the Watch Components Processing Services will be (i) on terms no less favourable to the Group than terms available from Independent Third Parties based on its internal control measures; (ii) conducted in the ordinary and usual course of business of the Group and after arm's length negotiations; and (iii) conducted within the ambit of the annual caps.

The service fees and terms of the Watch Components Processing Services shall be determined with reference to the Group's price lists generally applicable to all of its customers.

Any management personnel of the Group authorised to approve such transactions will review and compare the service fees and terms of the Watch Components Processing Services offered by the Group to the Fair Future Group with those in the Group's price lists and at least two recent transaction records of comparable services offered by the Group to Independent Third Parties in the trading database of the Group before entering into separate contracts with the Fair Future Group under the Master Processing Service Framework Agreement.

In the event that the service fees and terms for the Watch Components Processing Services offered by the Group to the Fair Future Group are less favourable to the Group than comparable services offered by the Group to Independent Third Parties in the Group's price lists and/or trading database, the Group will not enter into such transactions. The Group will at its best effort further negotiate with the Fair Future Group for reaching fair and reasonable terms in order to comply with the pricing policy of the Company.

HISTORICAL TRANSACTION AMOUNTS

Dongguan Grand Chances became an indirect subsidiary of the Company, and thus Mr. Chan and Fair Future became connected persons of the Company, upon the completion of the acquisition of Gold Vantage Industrial Limited ("**Gold Vantage**") on 19 April 2023 (the "**Acquisition**"). The historical transaction amount for the period from 20 April 2023 to 30 September 2023 was approximately HK\$1,235,000. As the transaction amount for the Watch Components Processing Services was below the de minimis threshold of 0.1% and/or HK\$3,000,000 under Rule 14A.76(1) of the Listing Rules, the provision of such Watch Components Processing Services was fully exempt from the requirements under Chapter 14A of the Listing Rules.

While Dongguan Grand Chances had provided Watch Components Processing Services to other members of the Fair Future Group prior to the Acquisition, the Company did not take such transaction amounts into account in determining the annual caps as they were not transactions conducted between the Group and the Fair Future Group.

THE PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION

The proposed annual caps for the aggregate transaction amount under the Master Processing Service Framework Agreement for the period from 1 December 2023 to 31 December 2023 and from the period from 1 January 2024 to 30 September 2024 respectively are set out as follow:

	Proposed Annual Caps (HKD)
For the period from 1 December 2023 to 31 December 2023	4,000,000
For the period from 1 January 2024 to 30 September 2024	10,000,000

In arriving at the annual caps, the Directors had considered:

- (a) the historical transaction amounts for Watch Components Processing Services provided by the Group to the Fair Future Group after the Acquisition. The Group has been in the process of consolidating the business of Gold Vantage and its subsidiaries (including Dongguan Grand Chances) following completion of the Acquisition. The main strategy has been to maintain stability in the operation of, amongst others, Dongguan Grand Chances, during the internal transition period. At the same time, the Group has been formulating new business strategies, objectives and conducting negotiations with other parties to implement the vision of the Group. Following the integration of, amongst others, Dongguan Grand Chances, the Company considers that it is an appropriate time to explore further business cooperation with the Fair Future Group and give full play to the capacity and potential of Dongguan Grand Chances;
- (b) the expected demand for Watch Components Processing Services to be provided by the Group to the Fair Future Group. It is the Company's observation that the watches and accessories market has seen a gradual recovery in the second half of 2023. As a result of the stabilization of the macro-economy, the gradual return of market demand and the implementation of business strategies of the Fair Future Group, and having considered the order estimates provided by the Fair Future Group based on communications with customers, it is expected that there will be an increase in the orders to be placed by the Fair Future Group for the period from 1 December 2023 to 30 September 2024;
- (c) the Group's expected capacities for the provision of Watch Components Processing Services;
- (d) the expected costs (including the expected continuing increase in labour costs) and service fees to be charged by the Group for the Watch Components Processing Services with reference to service fees of comparable services in the price lists and/or trading database of the Group and relevant market prices;
- (e) the strengthened cooperation between the Group and the Fair Future Group; and
- (f) estimated buffer for fluctuation of market prices and change in specifications of services and any significant and unexpected increase in demand of the Watch Components Processing Services.

Shareholders and potential investors of the Company should note that the above proposed annual caps are not intended, and do not purport, to be an indication of the Group's future performance or profitability and Shareholders or potential investors of the Company should not rely on the proposed annual caps in deciding how or whether or not to deal in the shares of the Company.

INTERNAL CONTROL

The Company has formulated internal control measures which regulate the terms (including pricing) and the implementation of continuing connected transactions. Under such internal control measures, the Group will periodically observe the market conditions and monitor the prevailing market prices including the pricings of comparable transactions with Independent Third Parties in respect of comparable types of processing services in the trading database maintained by the Group. The Company will continue to develop and maintain the trading database so as to include up-to-date transaction records and pricing information in relation to processing services offered by the Group in the future. The Company will also conduct random checks on the trading database so as to ensure that effective and sound internal control measures are in place so that continuing connected transactions with the Fair Future Group will be conducted on a fair and reasonable basis.

The Group will monitor and review the prices of the relevant Watch Components Processing Services offered to the Fair Future Group regularly in order to ensure that the transactions under the Master Processing Service Framework Agreement are conducted on normal commercial terms and the terms are no less favourable to the Group than those available to Independent Third Parties, and will report any irregularities to the senior management of the Group.

The Group will conduct regular internal checks to ensure that the internal control measures in respect of the continuing connected transactions with the Fair Future Group remain intact and effective.

The Company will report the continuing connected transactions under the Master Processing Service Framework Agreement to the independent non-executive Directors during each of the audit committee meetings (if necessary) according to the audit committee meeting agenda.

The continuing connected transactions contemplated under the Master Processing Service Framework Agreement will be reviewed by the auditors and the independent non-executive Directors of the Company every year and reported in the annual reports of the Company, which provides a check and balance to ensure that the transactions were conducted with proper approval, in accordance with the terms of the Master Processing Service Framework Agreement, on normal commercial terms (or terms more favourable than terms available to the Independent Third Parties), and in accordance with the pricing principles of the Company and annual caps set by the Company pursuant to the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER PROCESSING SERVICE FRAMEWORK AGREEMENT

The Group is principally engaged in (i) the designing, manufacturing, marketing and selling of Swiss-made mechanical and quartz premium watches; and (ii) design, development and manufacturing of stainless-steel alloy watch cases, smart watch cases on ODM and OEM basis. Provision of Watch Components Processing Services is within the ordinary course of business of the Group. The entering into of the Master Processing Service Framework Agreement can better utilize the Group's production capacity and broaden the source of revenue of the Company.

The Directors (including the independent non-executive Directors) consider that the terms of the Master Processing Service Framework Agreement, entered into in the ordinary and usual course of business of the Group and arrived at after arm's length negotiations between the parties, are fair and reasonable and the transactions contemplated thereunder (and the proposed annual caps) are entered into in the ordinary and usual course of business of the Company on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE PARTIES

The Company is an investment company. The principal activities of the Group are (i) designing, manufacturing, marketing and selling of Swiss-made mechanical and quartz premium watches; and (ii) design, development and manufacturing of stainless-steel alloy watches cases, smart watch cases on ODM and OEM basis.

Fair Future is a limited liability company incorporated in Hong Kong, and principally engaged in the manufacturing of watches and related accessories in the PRC. As at the date of this announcement, the shares of Fair Future are owned as to 25%, 41%, 10% and 24% by Citychamp Group (a substantial shareholder of the Company), Mr. Chan, Ms. Yeung Yuk Kwan (Mr. Chan's immediate family member) and Peaceful Consultants Ltd. (which is wholly owned by Mr. Yang Hua), respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Chan was a former director of Dongguan Grand Chances, a subsidiary of the Company, within the past 12 months. He is therefore a connected person of the Company under Chapter 14A of the Listing Rules. As Mr. Chan and his immediate family member together hold 51% of the shares of Fair Future, Fair Future is an associate of Mr. Chan and hence a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, the Master Processing Service Framework Agreement and the transaction contemplated thereunder constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

While one or more of the applicable percentage ratios in respect of the Master Processing Service Framework Agreement are more than 5%, as (i) Fair Future is a connected person of the Company at the subsidiary level; (ii) the Directors (including the independent non-executive Directors) have approved the Master Processing Service Framework Agreement and the transactions contemplated thereunder; (iii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the Master Processing

Service Framework Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole; the Master Processing Service Framework Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements, but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

Mr. Teguh Halim, the chairman of the Board and an executive Director, is an executive director of Fair Future. Mr. Halim is therefore deemed to have material interest in and has therefore abstained from voting on the resolutions of the Board approving the Master Processing Service Framework Agreement and the transactions contemplated thereunder.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the respective meaning as stated below:

“associates”	has the same meaning ascribed in the Listing Rules
“Board”	the board of Directors
“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)
“Citychamp Group”	Citychamp and its subsidiaries
“Company”	Ernest Borel Holdings Limited, a company incorporated under the laws of the Cayman Islands and whose shares are listed on the Main Board of the Stock Exchange (stock code: 1856)
“Components”	Watch components
“connected person(s)”	has the same meaning ascribed in the Listing Rules
“continuing connected transaction”	has the same meaning ascribed in the Listing Rules
“Directors”	the directors of the Company
“Dongguan Grand Chances”	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 the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“Fair Future”	Fair Future Industrial Limited, a company incorporated in Hong Kong with limited liability, which is a connected person of the Company at subsidiary level
“Fair Future Group”	Fair Future and its subsidiaries and associates
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKD”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Third Party(ies)”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, independent of and not connected with the Company and the connected person(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Processing Service Framework Agreement”	the master processing service framework agreement entered into between Fair Future and the Company on 30 November 2023, the particulars of which are set out in this announcement
“Mr. Chan”	Mr. Chan Heung Wai, Debby, a former director of Dongguan Grand Chances, a subsidiary of the Company, within the past 12 months
“Shareholders”	holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the same meaning ascribed in the Listing Rules
“Watch Components Processing Services”	polishing, finishing and quality check of Components
“%”	per cent

By Order of the Board of
ERNEST BOREL HOLDINGS LIMITED
Teguh Halim
Chairman

Hong Kong, 30 November 2023

As at the date of this announcement, the Board comprises 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, Ms. Chan Lai Wa and Mr. Zhang Bin

* *For identification purposes only*