

THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, this Composite Document and/or the accompanying Forms of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in **Ernest Borel Holdings Limited**, you should at once hand this Composite Document together with the accompanying Forms of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Composite Document should be read in conjunction with the accompanying Forms of Acceptance, the provisions of which form part of the terms of the Offers contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Forms of Acceptance, make no representation as to their 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 Composite Document and the accompanying Forms of Acceptance.

VGB LIMITED
國際名牌有限公司
(incorporated in Hong Kong with limited liability)


ERNEST BOREL HOLDINGS LIMITED
依波路控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1856)

**COMPOSITE DOCUMENT IN RELATION TO
THE UNCONDITIONAL MANDATORY CASH OFFERS BY
CCB INTERNATIONAL CAPITAL LIMITED
FOR AND ON BEHALF OF VGB LIMITED
TO ACQUIRE
ALL OF THE ISSUED SHARES IN ERNEST BOREL HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED
AND/OR AGREED TO BE ACQUIRED BY VGB LIMITED AND/OR
PARTIES ACTING IN CONCERT WITH IT) AND TO ACQUIRE ALL THE OUTSTANDING
CONVERTIBLE BONDS OF ERNEST BOREL HOLDINGS LIMITED**

Financial Adviser to VGB Limited



Independent Financial Adviser to the Independent Board Committee



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document. A letter from CCBI containing, among other things, details of the terms of the Offers are set out on pages 6 to 17 of this Composite Document. A letter from the Board is set out on pages 18 to 22 of this Composite Document. A letter from the Independent Board Committee containing its advice on the Offers to the Independent Shareholders and the CB Holder is set out on pages 23 to 24 of this Composite Document. A letter from the Independent Financial Adviser containing its opinion on the Offers and its recommendation to the Independent Board Committee is set out on pages 25 to 47 of this Composite Document.

The procedures for acceptance and settlement of the Offers and other related information are set out in Appendix I to this Composite Document and in the accompanying Forms of Acceptance. Acceptance of the Offers should be received by the Registrar by no later than 4:00 p.m. on Friday, 26 October 2018 or such later time and/or date(s) as the Offeror may determine and announce with the consent of the Executive, in accordance with the requirements of the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Forms of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the paragraph headed "Overseas Independent Shareholders and CB Holder" of "Letter from CCBI" of this Composite Document before taking any action. It is the responsibility of each overseas Independent Shareholder and the CB Holder wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Each overseas Independent Shareholder and the CB Holder is advised to seek professional advice on deciding whether or not to accept the Offers.

This Composite Document will remain on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.ernestborel.ch/en> as long as the Offers remain open.

5 October 2018

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate. Unless otherwise specified, all time and dates refer to Hong Kong local time and dates.

2018

Despatch date of this Composite Document and the Forms of Acceptance and the commencement date of the Offers (<i>Note 1</i>).....	Friday, 5 October
Latest time and date for acceptance of the Offers (<i>Notes 2 and 4</i>)	4:00 p.m. on Friday, 26 October
Closing Date (<i>Notes 2 and 4</i>)	Friday, 26 October
Announcement of the results of the Offers as at the Closing Date to be posted on the website of the Stock Exchange (<i>Note 2</i>)	No later than 7:00 p.m. on Friday, 26 October
Latest date for posting of remittances in respect of valid acceptances received under the Offers (<i>Notes 3 and 4</i>)	Tuesday, 6 November

Notes:

- (1) The Offers, which are unconditional in all respects, are made on the date of posting of this Composite Document, and are capable of acceptance on and from that date until the Closing Date. Acceptances of the Offers shall be irrevocable and shall not be capable of being withdrawn, except in the circumstances set out in the section headed “5. Right of Withdrawal” in Appendix I to this Composite Document.
- (2) In accordance with the Takeovers Code, the Offers must initially be opened for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the Offers is 4:00 p.m. on Friday, 26 October 2018. An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange by 7:00 p.m. on Friday, 26 October 2018 stating whether the Offers have been extended, revised or expired. In the event that the Offeror decides to revise or extend the Offers and the announcement does not specify the next closing date, at least 14 days’ notice by way of an announcement will be given before the Offers are closed to those Independent Shareholders and the CB Holder who have not accepted the Offers.
- (3) Remittances in respect of the cash consideration payable for the Offer Shares or the Convertible Bonds tendered under the Offers will be despatched to the accepting Shareholder(s) or the accepting CB Holder by ordinary post at their own risk as soon as possible but in any event within 7 Business Days after the date of receipt of a duly completed acceptance in accordance with the Takeovers Code.
- (4) If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:
 - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the Closing Date, the time and date of the close of the Offers will remain at 4:00 p.m. on the same Business Day; or

EXPECTED TIMETABLE

- (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Closing Date, the time and date of the close of the Offers will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve.

DEFINITIONS

In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Agreements”	the Top One Global Agreement and the Sino Wisdom Agreement
“associate(s)”	has the meaning ascribed thereto under the Takeovers Code
“ BLUE Form of CB Offer Acceptance”	the blue form of acceptance and transfer of Convertible Bonds in respect of the CB Offer
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“CB Holder”	the holder of the Convertible Bonds, Phoenix Green Limited
“CB Offer”	the unconditional mandatory cash offer made by CCBI on behalf of the Offeror in accordance with the Takeovers Code to acquire the outstanding Convertible Bonds in accordance with the terms described in this Composite Document
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCBI”	CCB International Capital Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Offeror
“Citychamp”	Citychamp Watch & Jewellery Group Limited 冠城鐘錶珠寶集團有限公司, 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)

DEFINITIONS

“Closing Date”	Friday, 26 October 2018, being the closing date of the Offers, or if the Offers are extended, any subsequent closing date(s) of the Offers as may be determined and announced jointly by the Offeror and the Company, with the consent of the Executive in accordance with the Takeovers Code
“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)
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to the Independent Shareholders and the CB Holder in connection with the Offers
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Convertible Bonds”	the 10% coupon convertible bonds in the aggregate principal amount of HK\$100,000,000 issued by the Company due on 10 January 2019 convertible into Shares at the initial conversion price of HK\$2.00 per Share, subject to adjustments
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
“Form(s) of Acceptance”	the WHITE Form of Share Offer Acceptance and the BLUE Form of CB Offer Acceptance (as the context may require) in respect of the Offers which accompany(ies) this Composite Document
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board, comprising all the non-executive Directors (namely Ms. Lou Liuqing, Mr. Lui Wai Ming, Mr. To Chun Kei and Ms. Chan Lai Wa), which has been formed to advise the Independent Shareholders and the CB Holder in respect of the Offers
“Independent Financial Adviser” or “Astrum”	Astrum Capital Management Limited, a corporation licensed under the SFO permitted to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities and the independent financial adviser to the Independent Board Committee in respect of the Offers
“Independent Shareholders”	shareholders of the Company other than the Offeror and parties acting in concert with it
“Joint Announcement”	the joint announcement of the Company and the Offeror dated 16 September 2018 in relation to, among other things, the Agreements and the Offers
“Last Trading Day”	12 September 2018, being the last day on which the Shares were traded on the Stock Exchange prior to the commencement of the Offer Period
“Latest Practicable Date”	2 October 2018, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Sit”	Mr. Sit Yau Chiu, the ultimate beneficial owner of Top One Global and an executive director of the Company
“Offer Period”	has the meaning ascribed thereto in the Takeovers Code, being the period commencing from 16 September 2018 (i.e. the date of the Joint Announcement) and ending on the Closing Date
“Offer Share(s)”	all the issued Share(s) other than those Shares already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it
“Offeror”	VGB Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Citychamp

DEFINITIONS

“Offers”	collectively, the Share Offer and the CB Offer
“PRC”	the People’s Republic of China, which, for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Registrar”	the Hong Kong branch share registrar and transfer office of the Company, being Tricor Investor Services Limited as at the Latest Practicable Date
“Relevant Period”	the period commencing on 16 March 2018, being the date falling six months preceding the date of the Joint Announcement, up to and including the Latest Practicable Date
“Sale Shares”	collectively, the Top One Global Sale Shares and the Sino Wisdom Sale Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	the shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Offer”	the unconditional mandatory cash offer made by CCBI on behalf of the Offeror to acquire the Offer Shares in compliance with the Takeovers Code
“Share Offer Price”	HK\$1.85 per Offer Share, the price at which the Share Offer is made
“Sino Wisdom”	Sino Wisdom Ventures Limited, a company incorporated in the BVI with limited liability
“Sino Wisdom Agreement”	the agreement dated 12 September 2018 entered into and among Sino Wisdom (as vendor) and the Offeror (as purchaser) in relation to the sale and purchase of the Sino Wisdom Sale Shares
“Sino Wisdom Completion”	completion of the Sino Wisdom Agreement, which took place on 18 September 2018

DEFINITIONS

“Sino Wisdom Sale Shares”	the 99,755,000 Shares transferred from Sino Wisdom to the Offeror upon Sino Wisdom Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC
“Top One Global”	Top One Global Holdings Limited, a company incorporated in the BVI with limited liability
“Top One Global Agreement”	the agreement dated 12 September 2018 entered into by and among Top One Global (as vendor), the Offeror (as purchaser) and Mr. Sit (as vendor guarantor) in relation to the sale and purchase of the Top One Global Sale Shares
“Top One Global Completion”	completion of the Top One Global Agreement, which took place on 18 September 2018
“Top One Global Sale Shares”	the 102,520,000 Shares transferred from Top One Global to the Offeror upon Top One Global Completion
“ WHITE Form of Share Offer Acceptance”	the white form of acceptance and transfer of Shares in respect of the Share Offer
“%”	per cent

LETTER FROM CCBI



CCB International Capital Limited
12/F., CCB Tower
3 Connaught Road Central
Central, Hong Kong

5 October 2018

To the Independent Shareholders and the CB Holder,

Dear Sir/Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS BY
CCB INTERNATIONAL CAPITAL LIMITED
FOR AND ON BEHALF OF VGB LIMITED
TO ACQUIRE**

**ALL OF THE ISSUED SHARES IN ERNEST BOREL HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED
AND/OR AGREED TO BE ACQUIRED BY VGB LIMITED AND/OR
PARTIES ACTING IN CONCERT WITH IT) AND TO ACQUIRE ALL THE OUTSTANDING
CONVERTIBLE BONDS OF ERNEST BOREL HOLDINGS LIMITED**

INTRODUCTION

On 12 September 2018 (after trading hours), the Offeror (as purchaser), Top One Global (as vendor) and Mr. Sit (as vendor guarantor) entered into the Top One Global Agreement pursuant to which Top One Global conditionally agreed to sell and the Offeror conditionally agreed to purchase 102,520,000 Shares, representing approximately 29.51% of the issued share capital of the Company immediately prior to Top One Global Completion, at a price of HK\$1.85 per Share. Top One Global Completion took place on 18 September 2018.

On 12 September 2018 (after trading hours), the Offeror (as purchaser) and Sino Wisdom (as vendor) entered into the Sino Wisdom Agreement pursuant to which Sino Wisdom conditionally agreed to sell and the Offeror conditionally agreed to purchase 99,755,000 Shares, representing approximately 28.71% of the issued share capital of the Company immediately prior to Sino Wisdom Completion, at a price of HK\$1.85 per Share. Sino Wisdom Completion took place on 18 September 2018.

Prior to Top One Global Completion and Sino Wisdom Completion, the Offeror and parties acting in concert with it did not hold any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, other than the interest in the Sale Shares under the Agreements. Immediately following Top One Global Completion and Sino Wisdom Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned in aggregate 202,275,000 Shares, representing approximately 58.22% of the issued share capital of the Company. The Company has become a direct non-wholly owned subsidiary of the Offeror and an indirect non-wholly owned subsidiary of Citychamp.

The Offeror is required under Rule 26.1 of the Takeovers Code to make an unconditional mandatory cash offer for all of the issued Shares not already owned and/or agreed to be acquired by it and/or parties acting in concert with it.

LETTER FROM CCBI

As at the Latest Practicable Date, the Company has outstanding Convertible Bonds with an aggregate principal amount of HK\$100,000,000 convertible into 50,000,000 new Shares at the initial conversion price of HK\$2.00 per Share (subject to adjustment). The CB Holder holds the Convertible Bonds in the principal amount of HK\$100,000,000. Immediately following Top One Global Completion and Sino Wisdom Completion, the Offeror is also required to make an unconditional mandatory cash offer for all the outstanding Convertible Bonds pursuant to Rule 13.1 of the Takeovers Code.

This letter sets out, among other things, the principal terms of the Offers, together with the information on the Offeror and the Offeror’s intention regarding the Group. Further details of the terms of the Offers and procedures of acceptance are set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance. Your attention is also drawn to the sections headed “LETTER FROM THE BOARD”, “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” and “LETTER FROM THE INDEPENDENT FINANCIAL ADVISER” in respect of the Offers, as contained in this Composite Document.

THE OFFERS

CCBI is, on behalf of the Offeror, making the Offers on terms set out in this Composite Document in compliance with the Takeovers Code on the following basis:

The Share Offer

For each Offer Share HK\$1.85 in cash

The Share Offer Price of HK\$1.85 for each Share under the Share Offer is equal to the price for each of the Sale Shares acquired by the Offeror pursuant to the Agreements.

As at the Latest Practicable Date, there were 347,437,000 Shares in issue. Other than the Convertible Bonds, as at the Latest Practicable Date, the Company did not have, and had not entered into any agreement to issue any securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares.

Based on the Share Offer Price of HK\$1.85 per Offer Share, the entire issued share capital of the Company is valued at approximately HK\$642,758,450. Assuming none of the outstanding Convertible Bonds are converted into new Shares, based on 145,162,000 Shares (representing the Shares not already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it) and the Share Offer Price of HK\$1.85 per Offer Share, the Share Offer is valued at HK\$268,549,700.

LETTER FROM CCBI

The CB Offer

For each outstanding HK\$1 of face value of
the Convertible Bonds HK\$0.925 in cash

Based on the Share Offer Price of HK\$1.85 per Share divided by the initial conversion price of the Convertible Bonds of HK\$2.00 per Share (subject to adjustment), the offer price under the CB Offer is HK\$0.925 for each outstanding HK\$1.00 of face value of the Convertible Bonds.

The Convertible Bonds will be acquired fully paid and free from all liens, charges, options, equities, encumbrances or other third party rights of any nature and together with all rights now or hereafter attaching or accruing to them on or after the date on which the CB Offer is made, that is, the date of the posting of this Composite Document.

The CB Offer will not apply to any Convertible Bonds which are or have been converted into Shares prior to the date on which the Offers close.

As at the Latest Practicable Date, the CB Holder holds the Convertible Bonds in the principal amount of HK\$100,000,000. Based on the outstanding Convertible Bonds in the principal amount of HK\$100,000,000, the CB Offer is valued at approximately HK\$92,500,000.

Share Offer Price and Comparison of Value

The Share Offer Price of HK\$1.85 per Offer Share represents:

- (a) a premium of approximately 0.54% over the closing price of HK\$1.84 per Share as quoted on the Stock Exchange on 2 October 2018, being the Latest Practicable Date;
- (b) a premium of approximately 28.47% over the closing price of HK\$1.440 per Share as quoted on the Stock Exchange on 12 September 2018, being the Last Trading Day;
- (c) a premium of approximately 30.65% over the average closing price of HK\$1.416 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 30.56% over the average closing price of HK\$1.417 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a premium of approximately 34.25% over the average closing price of HK\$1.378 per Share as quoted on the Stock Exchange for the thirty consecutive trading days immediately prior to and including the Last Trading Day;

LETTER FROM CCBI

- (f) a premium of approximately 102.41% over the audited consolidated net assets per Share of approximately HK\$0.914 as at 31 December 2017; and
- (g) a premium of approximately 134.77% over the unaudited consolidated net assets per Share of approximately HK\$0.788 as at 30 June 2018.

Highest and lowest closing prices of the Shares

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$1.85 per Share on 19, 21 and 24 September 2018 and HK\$1.06 per Share on 20 April 2018, respectively.

Total considerations for the Offers

As at the Latest Practicable Date, there are 347,437,000 Shares in issue. As at the Latest Practicable Date, the Company has outstanding Convertible Bonds with an aggregate principal amount of HK\$100,000,000 convertible into 50,000,000 new Shares at the initial conversion price of HK\$2.00 per Share (subject to adjustment).

Assuming that there is no change in the issued share capital of the Company and none of the Convertible Bonds will be converted into Shares prior to the close of the Offers and on the basis of the Share Offer Price at HK\$1.85 per Share, the entire issued share capital of the Company would be valued at HK\$642,758,450.

Assuming that all the outstanding Convertible Bonds will be converted into Shares prior to the close of the Offers and there is no other change in the issued share capital of the Company, there would be 397,437,000 Shares in issue, on the basis of the Share Offer Price at HK\$1.85 per Share, the entire issued share capital of the Company would be valued at HK\$735,258,450.

Based on the respective offer prices for the Offer Shares and the outstanding Convertible Bonds as referred to in the paragraph headed “The Offers” above, assuming that none of the outstanding Convertible Bonds subject to the CB Offer is converted into Shares prior to the close of the Offers and there is no change in the issued share capital of the Company up to the close of the Offers, a total of 145,162,000 Shares will be subject to the Share Offer and the Convertible Bonds in the outstanding principal amount of HK\$100,000,000 will be subject to the CB Offer. On the basis of full acceptance of the Offers, the cash consideration payable by the Offeror would be HK\$268,549,700 for the Share Offer and HK\$92,500,000 for the CB Offer, amounting to a total of HK\$361,049,700.

Assuming that all of the Convertible Bonds subject to the CB Offer are converted into Shares prior to the close of the Offers, an aggregate of 50,000,000 new Shares would be allotted and issued by the Company based on the initial conversion price of HK\$2.00 per Share (subject to adjustment). On such basis, further assuming that there is no other change in the issued share capital of the Company up to the close of the Offers, a total of 195,162,000 Shares will be subject to the Share Offer (and no Convertible Bond will be

LETTER FROM CCBI

subject to the CB Offer), and on the basis of full acceptance of the Share Offer, the cash consideration payable by the Offeror under the Share Offer would amount to HK\$361,049,700.

Confirmation of financial resources

The Offeror financed the consideration for the Sale Shares payable under the Agreements using its internal resources. The total consideration of HK\$374,208,750 was paid in full on the completion date of the Agreements (i.e. 18 September 2018). The Offeror intends to finance the consideration payable under the Offers using its internal resources. CCBI, as the financial adviser to the Offeror, is satisfied that sufficient resources are available to the Offeror to satisfy the amount of funds required for full acceptance of the Offers.

Effect of accepting the Offers

The Offers are unconditional in all respects. Acceptance of the Offers will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Provided that valid acceptance forms and the relevant certificate(s) and/or other document (s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are duly completed and have been received by the Registrar, the Independent Shareholders will sell their tendered Shares to the Offeror free from all encumbrances and together with all rights attaching thereto, including, without limitation, the rights to receive in full all dividends and other distributions, if any, recommended, declared, made or paid by reference to a record date on or after the date on which the Share Offer is made, that is, the date of the posting of this Composite Document.

Acceptance of the CB Offer by the CB Holder will be deemed to constitute a warranty by such person that all Convertible Bonds sold by such person under the CB Offer are free from all encumbrances whatsoever.

Payment

Payment in cash in respect of acceptances of the Offers will be made as soon as possible but within seven (7) Business Days of the date of receipt of a duly completed acceptance of the Offers. Relevant documents evidencing title must be received by or on behalf of the Offeror to render such acceptance of the Offers complete and valid.

No fractions of a cent will be payable and the amount of the consideration payable to an Independent Shareholder who accepts the Share Offer will be rounded up to the nearest cent.

Overseas Independent Shareholders and CB Holder

The Offeror intends to make the Offers available to all Independent Shareholders and the CB Holder, including those who are resident outside Hong Kong.

LETTER FROM CCBI

As the Offers to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Independent Shareholders or CB Holder who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek independent legal advice in respect of the Offers. It is the responsibility of overseas Independent Shareholders and the CB Holder who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

Any acceptance of the Offers by any overseas Independent Shareholders and the CB Holder will be deemed to constitute a representation and warranty from such overseas Independent Shareholders or the CB Holder to the Offeror, CCBI and the Company that the local laws and requirements have been complied with. The overseas Independent Shareholders or the CB Holder should consult their professional advisers if in doubt.

Hong Kong stamp duty

Seller's ad valorem stamp duty arising in connection with acceptance of the Share Offer will be payable by the Independent Shareholders who accept the Share Offer at the rate of 0.1% of the consideration payable by the Offeror for the Shares of such Independent Shareholders, or (if higher) the value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong). The relevant amount of stamp duty payable by the Independent Shareholders will be deducted from the consideration payable to the accepting Independent Shareholders under the Share Offer. The Offeror will bear its own portion of buyer's ad valorem stamp duty at the rate of 0.1% of the consideration payable in respect of acceptances of the Share Offer and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of the Shares which are validly tendered for acceptance under the Share Offer.

No stamp duty is payable in connection with the acceptances of the CB Offer.

Taxation Advice

Independent Shareholders and CB Holder are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. It is emphasised that none of the Company, the Offeror or any of their respective directors, officers or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

LETTER FROM CCBI

OFFEROR'S INTERESTS IN SECURITIES OF THE COMPANY

The Offeror confirms that, as at the Latest Practicable Date, save for the Sale Shares acquired by the Offeror pursuant to the Agreements:

- (a) neither the Offeror nor any parties acting in concert with it (including Citychamp) owned or had control or direction over any voting rights or rights over the Shares or convertible securities, warrants, options of the Company or any derivatives in respect of such securities;
- (b) neither the Offeror nor any parties acting in concert with it (including Citychamp) had dealt for value in or was interested in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities during the Relevant Period;
- (c) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offers;
- (d) there is no agreement or arrangement to which the Offeror, Citychamp and/or any party acting in concert with any of them is a party which relates to circumstances in which it may or may not seek to invoke a pre-condition or a condition to the Offers;
- (e) neither the Offeror, Citychamp nor any party acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (f) neither the Offeror, Citychamp nor any party acting in concert with any of them has received any irrevocable commitment to accept or not accept the Offers; and
- (g) there is no outstanding derivative in respect of the securities in the Company entered into by the Offeror, Citychamp and/or any parties acting in concert with any of them.

Save for the consideration paid under the Top One Global Agreement and the Sino Wisdom Agreement, there is no other consideration, compensation or benefits in whatever form provided by the Offeror and parties acting in concert with it (including Citychamp) to Top One Global, Sino Wisdom and parties acting in concert with any of them.

As at the Latest Practicable Date, there is no special deal (under Rule 25 of the Takeovers Code) between the Offeror and parties acting in concert with it (including Citychamp) on the one hand and Top One Global and Sino Wisdom and parties acting in concert with any of them on the other hand.

Acceptance and Settlement

Your attention is drawn to the further details regarding the procedures for acceptance and settlement of the Offers as set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

LETTER FROM CCBI**SHAREHOLDING STRUCTURE OF THE COMPANY**

The following table sets out the shareholding structure of the Company (i) immediately before completion of the Agreements; (ii) as at Latest Practicable Date; and (iii) upon completion of the Offers assuming all of the rights attaching to the Convertible Bonds are exercised prior to the close of the Offers and no acceptance of the Share Offer:

	Immediately before completion of the Agreements		As at the Latest Practicable Date		Upon completion of the Offers assuming (i) all of the rights attaching to the Convertible Bonds are exercised prior to the close of the Offers; and (ii) no Share Offer is accepted	
	<i>Number of</i>		<i>Number of</i>		<i>Number of</i>	
	<i>Shares</i>	<i>Approx. %</i>	<i>Shares</i>	<i>Approx. %</i>	<i>Shares</i>	<i>Approx. %</i>
Substantial shareholders						
Top One Global (<i>Note 1</i>)	102,520,000	29.51	—	—	—	—
Sino Wisdom (<i>Note 2</i>)	99,755,000	28.71	—	—	—	—
Prime Route Investment Limited (<i>Note 3</i>)	37,935,000	10.92	37,935,000	10.92	37,935,000	9.55
The Offeror and parties acting in concert with it	—	—	202,275,000	58.22	202,275,000	50.89
CB Holder (<i>Note 4</i>)	—	—	—	—	50,000,000	12.58
Public Shareholders	<u>107,227,000</u>	<u>30.86</u>	<u>107,227,000</u>	<u>30.86</u>	<u>107,227,000</u>	<u>26.98</u>
Total	<u>347,437,000</u>	<u>100.00</u>	<u>347,437,000</u>	<u>100.00</u>	<u>397,437,000</u>	<u>100.00</u>

Notes:

- (1) Top One Global is wholly owned by Mr. Sit, an executive director of the Company, who was deemed to be interested in the 102,520,000 Shares held by Top One Global under the SFO prior to Top One Global Completion.
- (2) Sino Wisdom is wholly owned by Ms. Yu Lai, who was deemed to be interested in the 99,755,000 Shares held by Sino Wisdom under the SFO prior to Sino Wisdom Completion.
- (3) Prime Route Investment Limited is wholly owned by Mr. Xiong Wei, an executive director of the Company who is deemed to be interested in the 37,935,000 Shares held by Prime Route Investment Limited under the SFO.
- (4) As at the Latest Practicable Date, the Company has outstanding Convertible Bonds with an aggregate principal amount of HK\$100,000,000 convertible into 50,000,000 new Shares at the initial conversion price of HK\$2.00 per Share (subject to adjustment). The CB Holder holds the Convertible Bonds in the principal amount of HK\$100,000,000.

LETTER FROM CCBI

INFORMATION ON THE GROUP

Your attention is drawn to the details of the information of the Group as set out under the section headed “INFORMATION ON THE GROUP” in the “LETTER FROM THE BOARD” and in Appendices II and III to this Composite Document.

INFORMATION ON THE OFFEROR

The Offeror was incorporated in Hong Kong with limited liability. The Offeror is an investment holding company. As at the Latest Practicable Date, save for the interests in the Sale Shares, the Offeror did not hold any other investment.

The Offeror is a wholly-owned subsidiary of Citychamp. Citychamp is a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange with stock code 256. Citychamp’s principal activity is investment holding and its subsidiaries are engaged in watches and timepieces, banking and financial and property investments businesses. The ultimate controlling shareholder of Citychamp is Mr. Hon Kwok Lung, who is interested in approximately 69.45% of the issued shares of Citychamp as at the Latest Practicable Date.

INTENTION OF THE OFFEROR REGARDING THE GROUP

As at the Latest Practicable Date, the Offeror intended to continue the existing principal businesses of the Group and had no intention to discontinue the employment of the employees (save for changes in the composition of the board of directors of the Company) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

The Offeror will, following the close of the Offers, conduct a review on the business activities/operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review and should suitable investment or business opportunities arise, the Offeror may explore other business opportunities for the Company which may involve acquisitions or investments in assets and/or businesses or cooperation with business partners of the Offeror with a view of enhancing the Group’s business growth and asset base as well as broadening its income stream. As at the Latest Practicable Date, the Offeror had no plan, and had not engaged in any discussion or negotiation, on any injection of any assets or businesses into the Group.

PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

The Board is currently made up of six directors, comprising two executive Directors, namely Mr. Sit and Mr. Xiong Wei, one non-executive Director, namely Ms. Lou Liuqing and three independent non-executive Directors, namely Mr. Lui Wai Ming, Mr. To Chun Kei and Ms. Chan Lai Wa. Pursuant to the terms of the Top One Global Agreement, upon Top One Global Completion, Mr. Sit shall tender his written resignation as director of each of the Company and the other members of the Group which will take effect from such time as the Offeror deems appropriate, subject to the requirement under the Takeovers Code, the Listing Rules and applicable laws.

LETTER FROM CCBI

The Offeror intends to nominate new executive Directors to the Board for appointment with effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code.

Biographies of new executive Directors nominated by the Offeror

Mr. Shang Jianguang, aged 66, is the executive director and chief executive officer of Citychamp. He joined the board of Citychamp in November 2004. He is a member of the remuneration committee and the nomination committee of Citychamp and the general manager of Zhuhai Rossini Watch Industry Limited, a subsidiary of Citychamp. Mr. Shang is also appointed as director of various subsidiaries of Citychamp, including Bendura Bank AG. Mr. Shang, graduated in Fuzhou University majoring in Chemistry, is a qualified senior engineer in the Mainland China. Prior to joining the Citychamp group, he assumed senior posts in various large companies and was the general manager and director of Min Xin Holdings Limited, a company listed on the main board of the Stock Exchange. He also serves as a director of Citychamp Dartong Company Limited, the shares of which are listed on the Shanghai Stock Exchange with stock code of 600067 and has extensive knowledge and experience in corporate and investment management.

Mr. Teguh Halim, aged 36, is an executive director of Citychamp. He joined the Citychamp group in October 2008 and has been appointed as executive director of Citychamp since 23 January 2018. Before being appointed as an executive director of Citychamp, he was a vice president of Citychamp. Mr. Halim is also the chairman of the European executive committee of the Citychamp group and director of several subsidiaries of Citychamp engaged in watch business. He has extensive experience in the watch manufacturing and distribution industry and business management. Mr. Halim graduated from Ohio State University as bachelor of science in business administration.

Ms. Lam Lai, aged 39, joined Citychamp in 2008 as investment manager and has been re-designated as CEO assistant mainly responsible for merger and acquisition and business development. Ms. Lam leads overseas investments and the merger and acquisition projects of Citychamp. She is appointed as director of various subsidiaries of Citychamp, including Bendura Bank AG. Ms. Lam is currently a representative for Type 1 (dealing in securities) regulated activity under the SFO. Ms. Lam graduated from University of Western Sydney in 2001 with a degree of bachelor of business majoring in marketing.

Further announcement will be published by the Company in respect of the changes to the Board pursuant to Rule 13.51(2) of the Listing Rules as and when appropriate.

Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made by the Company as and when appropriate.

LETTER FROM CCBI

MAINTENANCE OF THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange following the close of the Offers. The Offeror and the Company will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that not less than 25% of the Shares will be held by the public.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) that there are insufficient Shares in public hands to maintain an orderly market,

the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The directors of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any power of compulsory acquisition of any Shares after the close of the Offers.

GENERAL

The attention of the overseas Independent Shareholders and the CB Holder is drawn to paragraph 8 in Appendix I to this Composite Document.

All communications, notices, Forms of Acceptance, Share certificate(s), Convertible Bonds certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and/or CB Holder will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, CCBI, the Independent Financial Adviser, the Registrar and any of their respective directors or other parties involved in the Offers or any of their respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof. Further details have been set out in Appendix I to this Composite Document and in the Forms of Acceptance.

LETTER FROM CCBI

ADDITIONAL INFORMATION

Your attention is drawn to the sections headed “LETTER FROM THE BOARD”, the “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” and “LETTER FROM THE INDEPENDENT FINANCIAL ADVISER” as set out in this Composite Document, the accompanying Forms of Acceptance and the additional information set out in the appendices to, which form part of, this Composite Document and to consult your professional advisers as you see fit.

Yours faithfully,

For and on behalf of

CCB International Capital Limited

Ms. Li Jialu

Managing Director, Head of Corporate Advisory Team

LETTER FROM THE BOARD



ERNEST BOREL HOLDINGS LIMITED

依波路控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1856)

Board of Directors:

Executive Directors:

Mr. Sit Yau Chiu (*Chairman & Chief Executive Officer*)
Mr. Xiong Wei

Non-executive Director:

Ms. Lou Liuqing

Independent Non-executive Directors:

Mr. Lui Wai Ming
Mr. To Chun Kei
Ms. Chan Lai Wa

Registered Office:

P.O. Box 10008, Willow House,
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

Head office in Switzerland:

8, rue des Perrières
2340 Le Noirmont
Switzerland

Office in the PRC:

Suite 701, Taikoo Hui Tower 1
385 Tianhe Road,
Guangzhou 510620
PRC

Principal Place of Business

in Hong Kong:

Unit 1612–18, Level 16, Tower 1
Grand Century Place
193 Prince Edward Road West
Mongkok, Kowloon
Hong Kong

5 October 2018

To the Independent Shareholders and the CB Holder,

Dear Sir/Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS BY
CCB INTERNATIONAL CAPITAL LIMITED FOR AND ON BEHALF OF VGB LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN ERNEST BOREL HOLDINGS LIMITED (OTHER
THAN THOSE ALREADY OWNED OR AGREED TO
BE ACQUIRED BY VGB LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND
TO ACQUIRE ALL THE OUTSTANDING
CONVERTIBLE BONDS OF ERNEST BOREL HOLDINGS LIMITED**

LETTER FROM THE BOARD

INTRODUCTION

On 12 September 2018 (after trading hours), the Offeror (as purchaser), Top One Global (as vendor) and Mr. Sit (as vendor guarantor) entered into the Top One Global Agreement pursuant to which Top One Global conditionally agreed to sell and the Offeror conditionally agreed to purchase 102,520,000 Shares, representing approximately 29.51% of the issued share capital of the Company immediately prior to Top One Global Completion, at a price of HK\$1.85 per Share. Top One Global Completion took place on 18 September 2018.

On 12 September 2018 (after trading hours), the Offeror (as purchaser) and Sino Wisdom (as vendor) entered into the Sino Wisdom Agreement pursuant to which Sino Wisdom conditionally agreed to sell and the Offeror conditionally agreed to purchase 99,755,000 Shares, representing approximately 28.71% of the issued share capital of the Company immediately prior to Sino Wisdom Completion, at a price of HK\$1.85 per Share. Sino Wisdom Completion took place on 18 September 2018.

Prior to Top One Global Completion and Sino Wisdom Completion, the Offeror and parties acting in concert with it did not hold any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, other than the interest in the Sale Shares under the Agreements. Immediately following Top One Global Completion and Sino Wisdom Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned in aggregate 202,275,000 Shares, representing approximately 58.22% of the issued share capital of the Company. The Company has become a direct non-wholly owned subsidiary of the Offeror and an indirect non-wholly owned subsidiary of Citychamp.

The Offeror is required under Rule 26.1 of the Takeovers Code to make an unconditional mandatory cash offer for all of the issued Shares not already owned and/or agreed to be acquired by it and/or parties acting in concert with it.

As at the Latest Practicable Date, the Company has outstanding Convertible Bonds with an aggregate principal amount of HK\$100,000,000 convertible into 50,000,000 new Shares. The CB Holder holds the Convertible Bonds in the principal amount of HK\$100,000,000. Immediately following Top One Global Completion and Sino Wisdom Completion, the Offeror is also required to make an unconditional mandatory cash offer for all the outstanding Convertible Bonds pursuant to Rule 13.1 of the Takeovers Code.

As set out in the “Letter from CCBI”, CCBI is making the Offers for and on behalf of the Offeror.

The Independent Board Committee comprising Ms. Lou Liuqing, Mr. Lui Wai Ming, Mr. To Chun Kei and Ms. Chan Lai Wa (each of them has confirmed that he or she has no direct or indirect interest in the Offers) has been established pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Shareholders and CB Holder as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers.

LETTER FROM THE BOARD

Astrum has been appointed by the Company and approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offers. The full text of the letter from Astrum to the Independent Board Committee is set out in this Composite Document.

Further terms and the procedures for acceptance of the Offers are set out in the “Letter from CCBI” and Appendix I to this Composite Document. The purpose of this Composite Document is to provide you with, among other things, information relating to the Company and the Offers as well as to set out (i) the “Letter from the Independent Board Committee” containing its recommendation to the Independent Shareholders and CB Holder, and (ii) the “Letter from the Independent Financial Adviser” containing the advice of the Independent Financial Adviser to the Independent Board Committee in relation to the Offers.

THE OFFERS

As set out in the “Letter from CCBI” contained in this Composite Document, CCBI is making the Offers for and on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

The Share Offer

For each Offer Share HK\$1.85 in cash

The Share Offer Price of HK\$1.85 for each Share under the Share Offer is equal to the price for each of the Sale Shares acquired by the Offeror pursuant to the Agreements. The Share Offer is extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code.

The CB Offer

For each outstanding HK\$1 of face value of
the Convertible Bonds HK\$0.925 in cash

Based on the “Letter from CCBI”, the offer price under the CB Offer is HK\$0.925 for each outstanding HK\$1.00 of face value of the Convertible Bonds based on the Share Offer Price of HK\$1.85 per Share divided by the initial conversion price of the Convertible Bonds of HK\$2.00 per Share (subject to adjustment).

As at the Latest Practicable Date, the CB Holder holds the Convertible Bonds in the principal amount of HK\$100,000,000.

The CB Offer will not apply to any Convertible Bonds which are or have been converted into Shares prior to the date on which the Offers close.

LETTER FROM THE BOARD

FURTHER INFORMATION ON THE OFFERS

Please refer to the “Letter from CCBI” contained in this Composite Document and Appendix I to this Composite Document for further information in relation to the Offers, the making of the Offers to the overseas Independent Shareholders and the CB Holder, taxation and acceptance and settlement procedures of the Offers.

INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The Group is principally engaged in the design, production, marketing and sale of mechanical and quartz premium watches.

Your attention is drawn to Appendices II and III to this Composite Document which contain further financial and general information of the Group.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information on the Offeror” in the “Letter from CCBI” contained in this Composite Document.

INTENTION OF THE OFFEROR REGARDING THE GROUP

Please refer to the section headed “Intention of the Offeror regarding the Group” in the “Letter from CCBI” for detailed information on the Offeror’s intention on the business and management of the Group. The Board is aware of the intentions of the Offeror in respect of the Group, and is willing to render reasonable cooperation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company has no agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) with the Offeror about any injection of any asset or business into the Group.

MAINTAINING THE LISTING STATUS OF THE COMPANY

As mentioned in the “Letter from CCBI”, it is the intention of the Offeror to maintain the listing of Shares on the Stock Exchange after the close of the Offers. In the event that, at the close of the Offers, the public float of the Company falls below 25%, the directors of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange on terms required under the Listing Rules to take appropriate steps as soon as possible following the close of the Offers to ensure that a sufficient public float exists in the Shares.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or

LETTER FROM THE BOARD

- that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

RECOMMENDATION

Independent Shareholders and the CB Holder are advised to read the recommendation of the Independent Board Committee set out on pages 23 to 24 of this Composite Document and the advice of the Independent Financial Adviser set out on pages 25 to 47 of this Composite Document before deciding on the actions to be taken on the Offers.

ADDITIONAL INFORMATION

Your attention is also drawn to the “Letter from CCBI” and the additional information contained in the appendices to this Composite Document and the accompanying Forms of Acceptance.

Yours faithfully,
By Order of the Board
Ernest Borel Holdings Limited
Mr. Sit Yau Chiu
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offers which has been prepared for the purpose of inclusion in this Composite Document.



ERNEST BOREL HOLDINGS LIMITED

依波路控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1856)

5 October 2018

To the Independent Shareholders and CB Holder,

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS BY
CCB INTERNATIONAL CAPITAL LIMITED FOR AND ON BEHALF OF VGB LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN ERNEST BOREL HOLDINGS LIMITED (OTHER
THAN THOSE ALREADY OWNED OR AGREED TO
BE ACQUIRED BY VGB LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND
TO ACQUIRE ALL THE OUTSTANDING
CONVERTIBLE BONDS OF ERNEST BOREL HOLDINGS LIMITED**

We refer to the Composite Document jointly issued by the Offeror and the Company dated 5 October 2018 of which this letter forms part. Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

We have been appointed by the Board to form the Independent Board Committee to consider and to advise the Independent Shareholders and CB Holder as to whether or not the terms of the Offers are fair and reasonable and to make a recommendation as to acceptance of the Offers. Astrum has been appointed by the Company and approved by us as the Independent Financial Adviser to advise us in respect of the above.

We draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out in the Composite Document.

Having considered the terms of the Offers, taking into account the information contained in this Composite Document and the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in its letter in this Composite Document, we are of the opinion that the terms of the Share Offer (including the Share Offer Price) are fair and reasonable so far as the Independent Shareholders are concerned and that the terms of

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

the CB Offer (including the offer price of the Convertible Bonds) are not fair and reasonable so far as the CB Holder is concerned. Accordingly, we recommend the Independent Shareholders to accept the Share Offer and do not recommend the CB Holder to accept the CB Offer.

The Independent Shareholders and the CB Holder are recommended to read the full text of the letter from the Independent Financial Adviser on pages 25 to 47 of this Composite Document. Notwithstanding our recommendation, Independent Shareholders and CB Holder are strongly advised that the decision to realise or to hold your investment in the Shares and/or Convertible Bonds (as the case may be) is subject to individual circumstances and investment objectives and they should consider carefully the terms of the Offers.

Yours faithfully,
For and on behalf of the
INDEPENDENT BOARD COMMITTEE

Ms. Lou Liuqing
*Non-executive
Director*

Mr. Lui Wai Ming
*Independent Non-
executive Director*

Mr. To Chun Kei
*Independent Non-
executive Director*

Ms. Chai Lai Wa
*Independent Non-
executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



Room 2704, 27/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

5 October 2018

*To the Independent Board Committee of
Ernest Borel Holdings Limited*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS BY
CCB INTERNATIONAL CAPITAL LIMITED
FOR AND ON BEHALF OF VGB LIMITED
TO ACQUIRE ALL OF THE ISSUED SHARES IN
ERNEST BOREL HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED AND/OR
AGREED TO BE ACQUIRED BY
VGB LIMITED AND/OR PARTIES ACTING IN CONCERT WITH IT)
AND TO ACQUIRE ALL THE OUTSTANDING CONVERTIBLE BONDS OF
ERNEST BOREL HOLDINGS LIMITED**

INTRODUCTION

We refer to our engagement as the independent financial adviser to make recommendations to the independent board committee (the “**Independent Board Committee**”) of Ernest Borel Holdings Limited (the “**Company**”) in relation to the unconditional mandatory cash offers (the “**Offers**”) for all the issued shares of the Company (other than those shares already owned by and/or agreed to be acquired by VGB Limited (the “**Offeror**”) and/or parties acting in concert with it) and all the outstanding convertible bonds of the Company being made by CCB International Capital Limited (“**CCBI**”) for and on behalf of the Offeror. Details of the Offers are disclosed in the composite offer and response document in respect of the Offers jointly issued by the Offeror and the Company dated 5 October 2018 (the “**Composite Document**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

On 12 September 2018 (after trading hours), the Offeror (as purchaser), Top One Global (as vendor) and Mr. Sit (as vendor guarantor) entered into the Top One Global Agreement pursuant to which Top One Global conditionally agreed to sell and the Offeror conditionally agreed to purchase 102,520,000 Shares, representing approximately 29.51% of the issued share capital of the Company immediately prior to Top One Global Completion, at a price of HK\$1.85 per Share. Top One Global Completion took place on 18 September 2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 12 September 2018 (after trading hours), the Offeror (as purchaser) and Sino Wisdom (as vendor) entered into the Sino Wisdom Agreement pursuant to which Sino Wisdom conditionally agreed to sell and the Offeror conditionally agreed to purchase 99,755,000 Shares, representing approximately 28.71% of the issued share capital of the Company immediately prior to Sino Wisdom Completion, at a price of HK\$1.85 per Share. Sino Wisdom Completion took place on 18 September 2018.

Prior to Top One Global Completion and Sino Wisdom Completion, the Offeror and parties acting in concert with it did not hold any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, other than the interest in the Sale Shares under the Agreements. Immediately following Top One Global Completion and Sino Wisdom Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned in aggregate 202,275,000 Shares, representing approximately 58.22% of the issued share capital of the Company. The Company has become a direct non-wholly owned subsidiary of the Offeror and an indirect non-wholly owned subsidiary of Citychamp.

The Offeror is required under Rule 26.1 of the Takeovers Code to make an unconditional mandatory cash offer for all of the issued Shares not already owned and/or agreed to be acquired by it and/or parties acting in concert with it.

As at the Latest Practicable Date, the Company had outstanding Convertible Bonds with an aggregate principal amount of HK\$100,000,000 convertible into 50,000,000 new Shares at the initial conversion price of HK\$2.00 per Share (subject to adjustment). The CB Holder holds the Convertible Bonds in the principal amount of HK\$100,000,000. Immediately following Top One Global Completion and Sino Wisdom Completion, the Offeror is also required to make an unconditional mandatory cash offer for all the outstanding Convertible Bonds pursuant to Rule 13.1 of the Takeovers Code.

THE INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee, comprising all the non-executive Directors, namely Ms. Lou Liuqing, Mr. Lui Wai Ming, Mr. To Chun Kei and Ms. Chan Lai Wa, has been established to advise the Independent Shareholders and the CB Holder as to whether the terms of the Offers are fair and reasonable and as to acceptance of the Offers. We, Astrum Capital Management Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee in this regard. Our appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

We are not connected with the Company, Citychamp, the Offeror, Top One Global or Sino Wisdom, or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them and accordingly, are considered suitable to give independent advice to the Independent Board Committee in respect of the Offers. Apart from the normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Citychamp, the Offeror, Top One Global or

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Sino Wisdom, or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, amongst others, the Joint Announcement, the annual reports of the Company for the years ended 31 December 2016 and 31 December 2017 (the “**2016 Annual Report**” and “**2017 Annual Report**”, respectively), the interim report of the Company for the six months ended 30 June 2018 (the “**2018 Interim Report**”), and the information contained in the Composite Document. We have also discussed with and reviewed the information provided by the management of the Group (the “**Management**”) regarding the business and outlook of the Group.

We have relied on the information and facts provided, and the opinions expressed, by the Directors and the Management, which we have assumed to be true, accurate, complete and not misleading in all material aspects as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have sought and received confirmation from the Directors and the Management that no material facts have been omitted from the information provided and opinions expressed by them to us. We consider that the information which we have received is sufficient for us to reach our opinion and recommendations as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth, accuracy or completeness of the information provided to us or to believe that any material information has been omitted or withheld. We have not, however, conducted any independent investigation into the business and affairs of the Group nor have we carried out any independent verification of the information provided.

We have not considered the tax and regulatory implications on the Independent Shareholders and the CB Holder of their acceptances or non-acceptances of the Offers since these are particular to their own individual circumstances. In particular, the Independent Shareholders and the CB Holder who are residents outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Offers and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE OFFERS

CCBI is, on behalf of the Offeror, making the Offers on terms set out in the Composite Document in compliance with the Takeovers Code on the following basis:

The Share Offer

For each Offer Share..... HK\$1.85 in cash

The Share Offer Price of HK\$1.85 for each Share under the Share Offer is equal to the price for each of the Sale Shares acquired by the Offeror pursuant to the Agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, there were 347,437,000 Shares in issue. Other than the Convertible Bonds, as at the Latest Practicable Date, the Company did not have, and had not entered into any agreement to issue any securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares.

Based on the Share Offer Price of HK\$1.85 per Offer Share, the entire issued share capital of the Company is valued at approximately HK\$642,758,450. Assuming none of the outstanding Convertible Bonds are converted into new Shares, based on 145,162,000 Shares (representing the Shares not already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it) and the Share Offer Price of HK\$1.85 per Offer Share, the Share Offer is valued at HK\$268,549,700.

The CB Offer

For each outstanding HK\$1 of face value of
the Convertible Bonds HK\$0.925 in cash

Based on the Share Offer Price of HK\$1.85 per Share divided by the initial conversion price of the Convertible Bonds of HK\$2.00 per Share (subject to adjustment), the offer price under the CB Offer is HK\$0.925 for each outstanding HK\$1.00 of face value of the Convertible Bonds.

The Convertible Bonds will be acquired fully paid and free from all liens, charges, options, equities, encumbrances or other third party rights of any nature and together with all rights now or hereafter attaching or accruing to them on or after the date on which the CB Offer is made, that is, the date of the posting of the Composite Document.

The CB Offer will not apply to any Convertible Bonds which are or have been converted into Shares prior to the date on which the Offers close.

As at the Latest Practicable Date, the CB Holder held the Convertible Bonds in the principal amount of HK\$100,000,000. Based on the outstanding Convertible Bonds in the principal amount of HK\$100,000,000, the CB Offer is valued at HK\$92,500,000.

For further details of the Offers, including the terms and procedures for acceptance of the Offers, please refer to the “Letter from CCBI” as set out on pages 6 to 17 of the Composite Document, Appendix I to the Composite Document and the accompanying Forms of Acceptance.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the terms of the Offers, we have considered the following principal factors and reasons:

1. Business, financial performance and prospects of the Group**A. Business of the Group**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The Group is principally engaged in the design, production, marketing and sale of mechanical and quartz premium watches.

B. Financial information of the Group

Set forth below are (i) the audited consolidated financial information of the Group for the three years ended 31 December 2015, 31 December 2016 and 31 December 2017 (“**FY2015**”, “**FY2016**” and “**FY2017**”, respectively) as extracted from the 2016 Annual Report and the 2017 Annual Report, respectively; and (ii) the unaudited consolidated financial information of the Group for the six months ended 30 June 2017 and 30 June 2018 (“**PE2017**” and “**PE2018**”, respectively) as extracted from the 2018 Interim Report:

Table 1: Financial information of the Group

	FY2015	FY2016	FY2017	PE2017	PE2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	414,315	248,883	227,205	98,018	84,276
Gross profit	238,194	96,786	48,106	40,106	39,535
(Loss) before tax	(6,753)	(142,585)	(183,184)	(80,228)	(41,332)
(Loss) attributable to owners of the Company for the year/period	(11,916)	(145,011)	(197,283)	(81,588)	(43,121)
	As at	As at	As at	As at	As at
	31 December	31 December	31 December	30 June	30 June
	2015	2016	2017	2018	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Non-current assets	101,698	96,992	86,621	86,621	56,946
Current assets	759,757	598,187	540,996	540,996	488,189
Current (liabilities)	(202,439)	(105,263)	(193,165)	(193,165)	(245,056)
Net current assets	557,318	492,924	347,831	347,831	243,133
Non-current (liabilities)	(17,612)	(96,846)	(116,866)	(116,866)	(26,185)
Equity attributable to owners of the Company	641,404	493,070	317,586	317,586	273,894

Source: the 2016 Annual Report, the 2017 Annual Report and the 2018 Interim Report

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) *For the year ended 31 December 2016 (i.e. FY2016)*

In FY2016, the Group recorded total revenue of approximately HK\$248.9 million, representing a significant decrease of approximately 39.9% as compared to approximately HK\$414.3 million in FY2015. Such decrease was mainly attributable to further deterioration of the premium watches retail market in the PRC and Hong Kong. The Group's gross profit also decreased by approximately 59.4% from approximately HK\$238.2 million in FY2015 to approximately HK\$96.8 million in FY2016, and the gross profit margin decreased by approximately 18.6 percentage points from approximately 57.5% in FY2015 to approximately 38.9% in FY2016. As advised by the management that the decrease in gross profit margin was mainly attributable to (i) the increase in the proportion of sales of watches with lower gross profit margin under the weakened consumer sentiment; and (ii) the increase in the inventory provision from approximately HK\$11.8 million in FY2015 to approximately HK\$19.6 million in FY2016.

In FY2016, the Group recorded loss attributable to owners of the Company of approximately HK\$145.0 million, representing approximately 12.2 times of loss of approximately HK\$11.9 million in FY2015. Such deterioration was mainly due to the decrease in revenue and gross profit margin as mentioned above.

The total assets of the Group decreased by approximately HK\$166.3 million from approximately HK\$861.5 million as at 31 December 2015 to approximately HK\$695.2 million as at 31 December 2016. The total assets of the Group as at 31 December 2016 mainly comprised (i) property, plant and equipment of approximately HK\$71.0 million (31 December 2015: approximately HK\$76.4 million); (ii) inventories of approximately HK\$500.6 million (31 December 2015: approximately HK\$556.2 million); (iii) trade and other receivables of approximately HK\$71.1 million (31 December 2015: approximately HK\$127.9 million); and (iv) pledged bank deposits, bank balances and cash of approximately HK\$19.3 million (31 December 2015: approximately HK\$66.2 million).

The total liabilities of the Group decreased by approximately HK\$17.9 million from approximately HK\$220.1 million as at 31 December 2015 to approximately HK\$202.1 million as at 31 December 2016. The total liabilities of the Group as at 31 December 2016 mainly comprised (i) trade and other payables of approximately HK\$46.8 million (31 December 2015: approximately HK\$38.3 million); (ii) notes payable of approximately HK\$80 million (31 December 2015: nil); and (iii) bank and other borrowings of approximately HK\$57.2 million (31 December 2015: approximately HK\$164.1 million).

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The equity attributable to owners of the Company decreased from approximately HK\$641.4 million as at 31 December 2015 to approximately HK\$493.1 million as at 31 December 2016, representing a decrease of approximately 23.1%.

(ii) For the year ended 31 December 2017 (i.e. FY2017)

In FY2017, the Group recorded total revenue of approximately HK\$227.2 million, representing a decrease of approximately 8.7% as compared to approximately HK\$248.9 million in FY2016. Such decrease was mainly attributable to the deterioration of the premium watches retail market in Hong Kong, Macau and Southeast Asia as compared to FY2016 leading to a decrease in orders placed by watch retailers. The Group's gross profit also decreased significantly by approximately 50.3% from approximately HK\$96.8 million in FY2016 to approximately HK\$48.1 million in FY2017, and the gross profit margin decreased by approximately 17.7 percentage points from approximately 38.9% in FY2016 to approximately 21.2% in FY2017. We noted from the 2017 Annual Report that the decrease in gross profit margin was mainly attributable to the increase in allowance for inventories from approximately HK\$7.8 million in FY2016 to approximately HK\$49.8 million in FY2017.

In FY2017, the Group recorded loss attributable to owners of the Company of approximately HK\$197.3 million, representing an increase of approximately 36.0% as compared to approximately HK\$145.0 million in FY2016. We noted from the 2017 Annual Report that such deterioration was mainly due to (i) the increase in allowance for doubtful debts amounting to HK\$18.8 million; (ii) the occurrence of loss of inventory amounted to approximately HK\$18.8 million; (iii) the increase in allowance for inventories from approximately HK\$7.8 million in FY2016 to approximately HK\$49.8 million in FY2017; (iv) the increase in finance cost from approximately HK\$7.7 million in FY2016 to approximately HK\$27.7 million in FY2017; (v) the decrease in revenue of approximately 8.7% from approximately HK\$248.9 million in FY2016 to approximately HK\$227.2 million in FY2017; and (vi) the increase in income tax expense from approximately HK\$2.4 million in FY2016 to approximately HK\$14.1 million in FY2017.

The total assets of the Group decreased by approximately HK\$67.6 million from approximately HK\$695.2 million as at 31 December 2016 to approximately HK\$627.6 million as at 31 December 2017. The total assets of the Group as at 31 December 2017 mainly comprised (i) property, plant and equipment of approximately HK\$44.2 million (31 December 2016: approximately HK\$71.0 million); (ii) inventories of approximately HK\$402.2 million (31 December 2016: approximately HK\$500.6 million); (iii) trade and other receivables of approximately HK\$81.6 million (31 December 2016: approximately HK\$71.1 million); and (iv) pledged bank deposits, bank balances and cash of approximately HK\$57.2 million (31 December 2016: approximately HK\$19.3 million).

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The total liabilities of the Group increased by approximately HK\$107.9 million from approximately HK\$202.1 million as at 31 December 2016 to approximately HK\$310.0 million as at 31 December 2017. The total liabilities of the Group as at 31 December 2017 mainly comprised (i) trade and other payables of approximately HK\$39.2 million (31 December 2016: approximately HK\$46.8 million); (ii) notes payable of approximately HK\$140 million (31 December 2016: approximately HK\$80.0 million); (iii) liability component of convertible bond of approximately HK\$90.0 million (31 December 2016: Nil); and (iv) bank and other borrowings of approximately HK\$11.6 million (31 December 2016: approximately HK\$57.2 million).

The equity attributable to owners of the Company decreased from approximately HK\$493.1 million as at 31 December 2016 to approximately HK\$317.6 million as at 31 December 2017, representing a decrease of approximately 35.6%.

(iii) For the six months ended 30 June 2018 (i.e. PE2018)

In PE2018, the Group recorded total revenue of approximately HK\$84.3 million, representing a decrease of approximately 14.0% as compared to approximately HK\$98.0 million in PE2017. The Group's gross profit also decreased by approximately 1.4% from approximately HK\$40.1 million in PE2017 to approximately HK\$39.5 million in PE2018, and the gross profit margin increased by approximately 6.0 percentage points from approximately 40.9% in PE2017 to approximately 46.9% in PE2018. We noted from the 2018 Interim Report that the increase in gross profit margin was mainly attributable to the decrease in provision of inventory of approximately HK\$5.9 million.

In PE2018, the Group recorded loss attributable to owners of the Company of approximately HK\$43.1 million, representing a decrease of approximately 47.1% as compared to approximately HK\$81.6 million in PE2017. We noted from the 2018 Interim Report that such improvement was mainly due to (i) the decrease in the provision of inventory and bad debts; and (ii) the decrease in operational expenses by the implementation of effective cost control measures by the Group.

The total assets of the Group decreased by approximately HK\$82.5 million from approximately HK\$627.6 million as at 31 December 2017 to approximately HK\$545.1 million as at 30 June 2018. The total assets of the Group as at 30 June 2018 mainly comprised (i) property, plant and equipment of approximately HK\$39.2 million (31 December 2017: approximately HK\$44.2 million); (ii) inventories of approximately HK\$392.4 million (31 December 2017: approximately HK\$402.2 million); (iii) trade and other receivables of approximately HK\$58.7 million (31 December 2017: approximately HK\$81.6 million); and (iv) pledged bank deposits, bank balances and cash of approximately HK\$37.2 million (31 December 2017: approximately HK\$57.2 million).

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The total liabilities of the Group decreased by approximately HK\$38.8 million from approximately HK\$310.0 million as at 31 December 2017 to approximately HK\$271.2 million as at 30 June 2018. The total liabilities of the Group as at 30 June 2018 mainly comprised (i) trade and other payables of approximately HK\$38.1 million (31 December 2017: approximately HK\$39.2 million); (ii) notes payable of approximately HK\$100.0 million (31 December 2017: approximately HK\$140.0 million); (iii) liability component of convertible bond of approximately HK\$94.6 million (31 December 2017: Nil); and (iv) bank and other borrowings of approximately HK\$9.4 million (31 December 2017: approximately HK\$11.6 million).

The equity attributable to owners of the Company decreased from approximately HK\$317.6 million as at 31 December 2017 to approximately HK\$273.9 million as at 30 June 2018, representing a decrease of approximately 13.8%.

(iv) Analysis

Having considered that the Group's revenue dropped continuously from FY2015 to FY2017 and further dropped in PE2018 as a result of the deterioration of the premium watch retail market, we consider that the Group's business remains uncertain. Those Independent Shareholders who wish to retain some or all of the Shares should consider the past financial performance of the Group and the business prospects of the Group as detailed in the section headed "C. Business prospects of the Group" below, or otherwise are reminded to closely monitor the development of the Group and the publications of the Company (including the Composite Document) in this regard.

C. Business prospects of the Group

As mentioned in the 2017 Annual Report and the 2018 Interim Report, the business environment remains challenging for the overall retail market and the watch market segment. The Company experienced a fall in revenue of approximately 8.7% from HK\$248.9 million in FY2016 to HK\$227.2 million in FY2017. In view of the deteriorating performance, the Company actively implemented various cost control strategies and resource utilisation plan in the area of distribution and administrative expenses, which successfully drove down the overall operating costs and expenses of the Group in PE2018. The Group's distribution expenses decreased from HK\$60.3 million in PE2017 to HK\$36.3 million in PE2018, representing a decrease of approximately 40%. Apart from the cost control strategies and the utilisation plan, the Company also organized a wide variety of marketing campaigns including the launch events of new collections of watches and road shows with an aim to enhance the brand image and consolidate the customer relationships.

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The Group also intends to develop new point of sales (“**POS**”) in the PRC, Europe and Asia. The PRC market continues to be the major market of the Company and contributed approximately 85.1% of the Group’s total revenue in FY2017. According to the latest data published by the National Bureau of Statistics, the GDP of the PRC recorded an increase of approximately 6.8% in the first half of 2018 as compared to the corresponding period of 2017 and the disposable income of residents in the PRC recorded an increase of approximately 6.6% in real terms in the first half of 2018. Furthermore, the amount of the total retail sales of consumer goods in the category of commodity retail sales amounted to approximately RMB18.8 trillion during the first 7 months in 2018, representing an increase of approximately 9.2% as compared with the same period in 2017. According to the latest data published by the Federation of the Swiss Watch Industry (a leading association in Swiss representing around 500 members, or more than 90% of Swiss firms which are active in the production and sale of watches, clocks and components), there is a drastic increase of approximately 18.8% in the value of Swiss watch exports to the PRC. It is expected that the positive outlook of the watch industry in the PRC will be favourable to the Group’s business development in the future.

Despite the prudently optimistic prospect of the Company, the intensifying trade war between the PRC and the United States adds another layer of uncertainty to the economy and the retail industry. According to the report “How bad could it get? Counting the cost of a global trade war” published by Bloomberg L.P., the GDP of the PRC may drop approximately 0.7% by 2020 due to the trade war. Moreover, according to the report “Trade war: From rhetoric to reality?” published by DBS Bank, the trade war may lead to a 15–20% decline in equities based on the history of past trade wars. The depressing economy may reduce consumers’ consumption confidence and sentiment which subsequently hampers the growth of the watch retail market.

With the advancement of technology, the state-of-the-art smart watches pose a significant threat on the conventional mechanical and quartz watches in the watch industry, which are the two major products of the Company. The unique features of smart watches such as fitness tracking and navigation aids override the traditional mechanical and quartz watches. According to the report “Deloitte Swiss Watch Industry Study 2017” published by Deloitte Touche Tohmatsu Limited, the number of shipments of smartwatches and Swiss wristwatches were 6.2 million and 5.8 million, respectively, in the first quarter of 2017. The shipments of smartwatches already suppressed that of the Swiss wristwatches and the introduction of smartwatches leads to a keen competition in the industry which may in turn adversely affect the financial performance of the Group in the future.

Taking into consideration the factors as mentioned above, we are of the opinion that there remains uncertainty in the future performance of the Group.

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2. Principal terms of the Offers

The Share Offer

The Share Offer Price of HK\$1.85 per Offer Share represents:

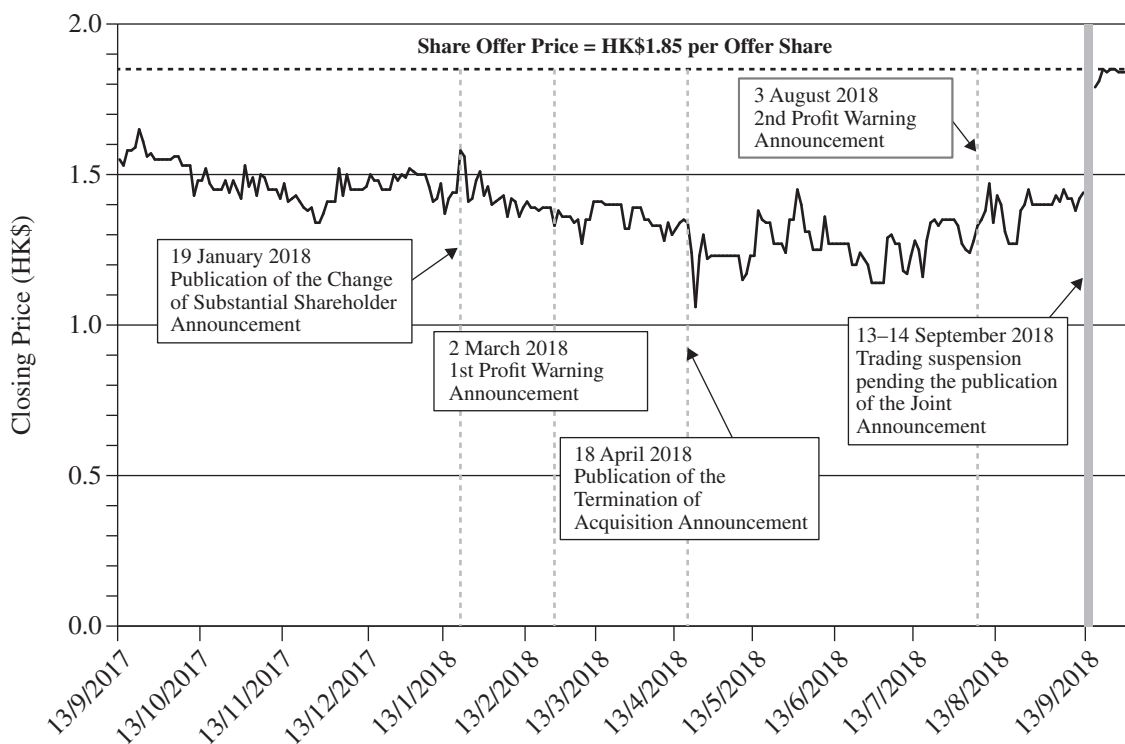
- (i) a premium of approximately 0.54% over the closing price of HK\$1.84 per Share as quoted on the Stock Exchange on 2 October 2018, being the Latest Practicable Date;
- (ii) a premium of approximately 28.47% over the closing price of HK\$1.440 per Share as quoted on the Stock Exchange on 12 September 2018, being the Last Trading Day;
- (iii) a premium of approximately 30.65% over the average closing price of HK\$1.416 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 30.56% over the average closing price of HK\$1.417 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 34.25% over the average closing price of HK\$1.378 per Share as quoted on the Stock Exchange for the thirty consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 102.41% over the audited consolidated net asset value per Share of approximately HK\$0.914 as at 31 December 2017; and
- (vii) a premium of approximately 134.77% over the unaudited consolidated net asset value per Share of approximately HK\$0.788 as at 30 June 2018.

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A. Historical price performance of the Shares

Set out below is the chart showing the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 13 September 2017, being the twelve-month period prior to the Last Trading Day, up to and including the Latest Practicable Date (the “**Review Period**”):

Chart 1: Share price performance during the Review Period



Source: the website of the Stock Exchange (www.hkex.com.hk)

Note: Trading in the Shares was suspended from 13 September 2018 to 14 September 2018 (both days inclusive) pending the publication of the Joint Announcement.

As illustrated in the chart above, during the Review Period, the closing price of the Shares ranged from the lowest closing price of HK\$1.06 per Share as recorded on 20 April 2018 to the highest closing price of HK\$1.85 per Share as recorded on 19 September 2018, 21 September 2018 and 24 September 2018 respectively, with an average price of approximately HK\$1.40 per Share. The Share Offer Price is equal to the highest closing price of the Shares, and represents a premium of approximately 32.3% and 74.5% over the average closing price and the lowest closing price of the Shares during the Review Period, respectively.

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During the period commencing from 13 September 2017 to 20 April 2018, the closing price of the Shares exhibited a downward trend and hit the lowest point of HK\$1.06 per Share on 20 April 2018. We discussed with the Management regarding the downward trend and were advised that, save for (i) the interim results announcement for the six months ended 30 June 2017; (ii) the announcement regarding the change of substantial shareholder dated 19 January 2018; and (iii) the profit warning announcement dated 2 March 2018; (iv) the annual results announcement for the year ended 31 December 2017; and (v) the announcement regarding the termination of acquisition of the entire issued share capital of Top Win International Trading Limited dated 18 April 2018, they are not aware of other particular reason that led to the decreasing trend of the price of the Shares. After reaching the lowest point, the closing price of the Shares then demonstrated a general upward trend and gradually reached a relatively high level of HK\$1.44 per Share on the Last Trading Day. We enquired with the Management and were advised that, during the period commencing from 13 September 2017 to the Last Trading Day prior to the Joint Announcement (the “**Pre-announcement Period**”), save for (i) the profit warning announcement dated 3 August 2018; and (ii) the interim results announcement for the six months ended 30 June 2018, the Company did not issue any other announcement which is of price-sensitive nature during the Pre-announcement Period and the Management is not aware of any particular reason for the price movement.

At the request of the Company, trading in the Shares was suspended from 13 September 2018 to 14 September 2018 (both days inclusive) pending the publication of the Joint Announcement. Following the resumption of trading, the closing price of the Shares surged by approximately 24.31% to HK\$1.79 per Share on 17 September 2018 (being the first trading day after the publication of the Joint Announcement) as compared to that of HK\$1.44 per Share on the Last Trading Day and the closing price of the Shares, in general, fluctuated within a narrow range during the period commencing from 17 September 2018 to the Latest Practicable Date (the “**Post-announcement Period**”). We consider that such rise in the closing price of the Shares may be associated with the Offers as the Share Offer Price represents a premium over the closing price of the Shares throughout the Pre-announcement Period. As at the Latest Practicable Date, the closing price of the Shares was HK\$1.84.

Independent Shareholders should note that the information set out above is not an indicator of the future performance of the Shares and that the price of the Shares may increase or decrease from its closing price after the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**B. Historical trading volume of the Shares**

The following table sets out the trading volume of the Shares during the Review Period:

Table 2: Trading volume of the Shares during the Review Period

Month/period	Total trading volume (No. of Shares)	No. of trading days	Average daily trading volume (No. of Shares)	Percentage of the average daily trading volume to the total number of Shares in issue (Note 2)	Percentage of the average daily trading volume to the number of Shares held by public Shareholders (Note 3)
September 2017 (From 13 September)	2,688,000	13	206,769	0.060%	0.193%
October 2017	2,844,000	20	142,200	0.041%	0.133%
November 2017	3,035,000	22	137,955	0.040%	0.129%
December 2017	2,262,000	19	119,053	0.034%	0.111%
January 2018	102,334,000	22	4,651,545	1.339%	4.338%
February 2018	1,129,000	18	62,722	0.018%	0.058%
March 2018	1,107,000	21	52,714	0.015%	0.049%
April 2018	4,598,000	19	242,000	0.070%	0.226%
May 2018	2,379,000	21	113,286	0.033%	0.106%
June 2018	1,528,000	20	76,400	0.022%	0.071%
July 2018	5,265,000	21	250,714	0.072%	0.234%
August 2018	6,385,000	23	277,609	0.080%	0.259%
September 2018 (Note 1)	170,073,000	17	10,004,294	2.879%	9.330%
October 2018 (up to the Latest Practicable Date)	362,000	1	362,000	0.104%	0.338%

Source: the website of the Stock Exchange (www.hkex.com.hk)

Notes:

- Trading in the Shares was suspended from 13 September 2018 to 14 September 2018 (both days inclusive) pending the publication of the Joint Announcement.
- The calculation is based on the average daily trading volume of the Shares divided by the total issued share capital of the Company as at the Latest Practicable Date (i.e. 347,437,000 Shares).

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3. The calculation is based on the average daily trading volume of the Shares divided by the number of Shares held by public Shareholders as at the Latest Practicable Date (i.e. 107,227,000 Shares).

As illustrated in the Table 2 above, the average daily trading volume for the respective month/period during the Review Period ranged from approximately 52,714 Shares to approximately 10,004,294 Shares, representing approximately 0.015% to approximately 2.879% of the total number of the Shares in issue as at the Latest Practicable Date, or approximately 0.049% to approximately 9.330% of the total number of Shares held by public Shareholders as at the Latest Practicable Date.

Save for the particularly high daily trading volume of the Shares in January 2018 due to the disposal of 99,755,000 Shares (equivalent to approximately 28.71% of the issued share capital of the Company) by a substantial shareholder of the Company and its subsequent cessation of being a substantial shareholder, the average daily trading volume of the Shares was relatively thin during the Review Period until the publication of the Joint Announcement. On 17 September 2018 (being the first trading day after the publication of the Joint Announcement), the trading volume of the Shares increased to approximately 13.3 million and the average daily trading volumes increased from approximately 559,777 Shares during the Pre-announcement Period to approximately 16,772,400 Shares during the Post-announcement Period. We believe that the increase in trading volume of the Shares during the Post-announcement Period was likely to be due to the market reaction to the announcement of the Offers. Although the trading volume of the Shares tended to be active during the Offer Period, the sustainability of the recent growth of the trading volume of the Shares after the Offer Period is uncertain.

The trading volume of the Shares has been active since 17 September 2018 (being the first trading day after the publication of the Joint Announcement), however, it is still uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price. Therefore, we are of the view that the Share Offer represents an opportunity for the Independent Shareholders, particularly for those who hold a large volume of the Shares, to dispose of part or all of their Shares at the Share Offer Price if they so wish to.

C. Comparison with other comparable companies

In assessing the fairness and reasonableness of the Share Offer Price, we attempted to compare the Share Offer Price against the market valuation of other comparable companies using the price-to-earnings ratio (“**PE ratio**”) and the price-to-book ratio (“**PB ratio**”), which are commonly used valuation multiples. However, since the Company recorded a loss attributable to the owners of the Company in FY2017 and therefore, the comparison of the PE ratio is not applicable. Given that all the revenue of the Group was derived from the design, production, marketing and sale of watches (the “**Relevant Business**”), we identified companies listed on the

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Stock Exchange based on the criteria that over 80% of the revenue are generated from the Relevant Business. We have identified an exhaustive list of 10 companies (the “**Comparable Companies**”) which met our above-mentioned selection criteria.

As each of the Comparable Companies has its own unique nature and characteristic in terms of, *inter alia*, business operation and environment, size, profitability and financial position, the comparison of the PB ratio between the Comparable Companies and the Group may not represent an identical comparison. The Independent Shareholders should also note that the business operation and environment, size, profitability and financial position of the Comparable Companies are not equivalent to the Company and we have not conducted any in-depth investigation into the abovementioned business and affairs of the Comparable Companies. Nevertheless, we consider such comparison could be treated as an indication as to the reasonableness and fairness of the Share Offer Price, details of which are set out in the table below:

Table 3: Details of the Comparable Companies

Company name (Stock code)	Principal activities	Market capitalization as at the Latest Practicable Date (HK\$'000)	Net assets attributable to equity holders based on the latest published financial statements prior to the Latest Practicable Date (HK\$'000) (Note 1)	PB ratio (times)
STELUX Holdings International Limited (84)	Engaged in watch retailing, wholesale, trading of watches, watch supply chain management and manufacture of watch movements	298,245	1,020,590	0.29
Asia Commercial Holdings Limited (104)	Engaged in trading of watches (retail and wholesale) and property leasing	356,462	502,773	0.71
Citychamp Watch & Jewellery Group Limited (256)	Engaged in the watches and timepieces, property investments, and banking and financial businesses	7,354,691	4,763,408	1.54
Oriental Watch Holdings Limited (398)	Engaged in watch trading	1,049,923	2,315,977	0.45

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Company name (Stock code)	Principal activities	Market capitalization as at the Latest Practicable Date (HK\$'000)	Net assets attributable to equity holders based on the latest published financial statements prior to the Latest Practicable Date (HK\$'000) (Note 1)	PB ratio (times)
Sincere Watch (Hong Kong) Limited (444)	Engaged in the distribution of branded luxury watches, timepieces and accessories in Hong Kong, Macau, Taiwan, Korea and the PRC	580,219	1,068,513	0.54
Time2U International Holding Limited (1327)	Engaged in the manufacture and sales of own-branded watches, OEM watches and third-party watches	107,136	614,611 (Note 2)	0.17
Prosper One International Holdings Company Limited (1470)	Engaged in the retail and wholesale of watches in Hong Kong, and sales and trading of fertilizers raw materials, fertilizers products and public consumption products	352,000	110,647	3.18
Time Watch Investments Limited (2033)	Engaged in the manufacturing, retail sales and e-commerce business of its two proprietary brands watches, retail sales of other brands of watches in the PRC, global distribution of other brands of watches and its ancillary watch movements trading business	2,350,339	1,989,457	1.18
Hengdeli Holdings Limited (3389)	Engaged in the distribution of over 50 international brands from the above four major brand suppliers and other independent watchmakers	1,585,307	4,945,144 (Note 2)	0.32

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (Stock code)	Principal activities	Market capitalization as at the Latest Practicable Date (HK\$'000)	Net assets attributable to equity holders based on the latest published financial statements prior to the Latest Practicable Date (HK\$'000) (Note 1)	PB ratio (times) (Note 1)
Hanvey Group Holdings Limited (8219)	Engaged in the design and development, manufacturing and distribution of watch products on original design manufacturing basis for watch manufacturers, brand owners and watch importers across the globe	280,000	29,051	9.64 (Note 3)
			Maximum:	3.18 (Note 3)
			Minimum:	0.17 (Note 3)
			Average:	0.93 (Note 3)
			Median:	0.54 (Note 3)
The Company		642,758 (Note 4)	273,894	2.35

Sources: the website of the Stock Exchange (www.hkex.com.hk) and the financial reports of the respective Comparable Companies

Notes:

1. Based on the figures of the respective Comparable Companies as published in the latest published annual/interim reports or annual/interim results announcements.
2. These amounts were stated in RMB and were converted to HKD using the exchange rate of RMB1.00 = HK\$1.14 as at the Latest Practicable Date.
3. As the PB ratio of Hanvey Group Holdings Limited (stock code: 8219) is exceptionally high as compared with those of other Comparable Companies, we consider that the PB ratio of Hanvey Group Holdings Limited is an outlier and has been excluded in our analysis.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. The market capitalization of the Company is calculated based on the Share Offer Price and the number of the issued Shares (i.e. 347,437,000 Shares) as at the Latest Practicable Date.

Among the Comparable Companies, we noted that the PB ratio of Hanvey Group Holdings Limited (stock code: 8219) is exceptionally high as compared with those of other Comparable Companies. Therefore, we consider that the PB ratio of Hanvey Group Holdings Limited is an outlier. To avoid distortion to the overall comparable analysis due to the abnormality of such single result, the PB ratio of Hanvey Group Holdings Limited has been excluded in our analysis.

As set out in the Table 3 above and after excluding Hanvey Group Holdings Limited, the PB ratios of the Comparable Companies ranged from approximately 0.17 times to approximately 3.18 times with an average of approximately 0.93 times and a median of approximately 0.54 times. The PB ratio implied by the Share Offer Price of approximately 2.35 times is within the range and higher than the average of all PB ratio of the Comparable Companies.

D. Conclusion

Having considered the abovementioned factors set out in the above paragraphs that:

- (i) the Shares were traded below the Share Offer Price throughout the Pre-announcement Period;
- (ii) the Share Offer Price represents a premium of approximately 134.77% over the unaudited consolidated net asset value per Share of approximately HK\$0.788 as at 30 June 2018;
- (iii) save for the relatively high average daily trading volume of the Shares in January 2018 and during the Post-announcement Period, the trading volume of Shares was low during the Review Period, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price; and
- (iv) there are likely uncertainties in the future performance of the Group as discussed in the paragraph headed “C. Business prospects of the Group” under the section headed “1. Business, financial performance and prospects of the Group” above,

we are of the view that the Share Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**3. Information on the Offeror and the intention of the Offeror in relation to the Group*****A. Information on the Offeror***

As stated in the “Letter from CCBI” contained in the Composite Document, the Offeror was incorporated in Hong Kong with limited liability. The Offeror is an investment holding company. As at the Latest Practicable Date, save for the interests in the Sale Shares, the Offeror did not hold any other investment.

The Offeror is a wholly-owned subsidiary of Citychamp. Citychamp is a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange with stock code 256. Citychamp’s principal activity is investment holding and its subsidiaries are engaged in watches and timepieces, banking and financial and property investments businesses. The ultimate controlling shareholder of Citychamp is Mr. Hon Kwok Lung, who is interested in approximately 69.45% of the issued shares of Citychamp as at the Latest Practicable Date.

B. Intention of the Offeror Regarding the Group

As stated in the paragraph headed “Intention of the Offeror Regarding the Group” in the “Letter from CCBI” contained in the Composite Document, as at the Latest Practicable Date, the Offeror intended to continue the existing principal businesses of the Group and had no intention to discontinue the employment of the employees (save for changes in the composition of the board of directors of the Company) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

The Offeror will, following the close of the Offers, conduct a review on the business activities/operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review and should suitable investment or business opportunities arise, the Offeror may explore other business opportunities for the Company which may involve acquisitions or investments in assets and/or businesses or cooperation with business partners of the Offeror with a view to enhancing the Group’s business growth and asset base as well as broadening its income stream. As at the Latest Practicable Date, the Offeror had no plan, and had not engaged in any discussion or negotiation, on any injection of any assets or businesses into the Group.

C. Proposed change to the Board composition of the Company

The Board is currently made up of six directors, comprising two executive Directors, namely Mr. Sit and Mr. Xiong Wei, one non-executive Director, namely Ms. Lou Liuqing and three independent non-executive Directors, namely Mr. Lui Wai Ming, Mr. To Chun Kei and Ms. Chan Lai Wa. Pursuant to the terms of the Top One Global Agreement, upon Top One Global Completion, Mr. Sit shall tender his

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

written resignation as director of each of the Company and the other members of the Group which will take effect from such time as the Offeror deems appropriate, subject to the requirement under the Takeovers Code, the Listing Rules and applicable laws.

The Offeror intends to nominate new Directors to the Board for appointment with effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code.

D. Maintaining the listing status of the Company

As mentioned in the “Letter from CCBI” contained in the Composite Document, it is the intention of the Offeror to maintain the listing of the Shares on the Stock Exchange after the close of the Offers. The Offeror and the Company will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that not less than 25% of the Shares will be held by the public.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) that there are insufficient Shares in public hands to maintain an orderly market,

the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The directors of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

The CB Offer

Pursuant to Rule 13 of the Takeover Code, the Offeror is also required to make the CB Offer.

As at the Latest Practicable Date, the outstanding Convertible Bonds comprise the 10% coupon rate unsecured convertible bonds issued by the Company on 11 January 2017 which are due on 10 January 2019 in the aggregate principal amount of HK\$100,000,000 and could be convertible into 50,000,000 new Shares at the initial conversion price of HK\$2.00 per conversion Share.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The offer price under the CB Offer is HK\$0.925 for every HK\$1 face value of the Convertible Bonds, determined in accordance with Rule 13 and Practice Note 6 to the Takeover Code as the “see-through” consideration for the Convertible Bonds, being the number of new Shares into which the Convertible Bonds is convertible (being 50,000,000 new Shares) multiplied by the Share Offer Price of HK\$1.85 per Offer Share, valuing the total CB Offer at HK\$92,500,000. In the event that the CB Holder has not exercised the conversion rights before its maturity date on 10 January 2019, the CB Holder should be entitled to receive 100% principal of the unexercised Convertible Bonds of HK\$100,000,000 together with any unpaid interest thereon on 10 January 2019 which significantly exceeds the amount to be received of HK\$92,500,000 upon the acceptance of the CB Offer.

OPINION AND RECOMMENDATION

The Share Offer

Taking into consideration the above-mentioned principal factors and reasons, in particular the following:

- (i) the Shares were traded below the Share Offer Price throughout the Pre-announcement Period;
- (ii) the Group’s financial performance remains uncertain as discussed in the paragraph headed “B. Financial Information of the Group” under the section headed “1. Business, financial performance and prospects of the Group” above;
- (iii) save for the relatively high average daily trading volume of the Shares in January 2018 and during the Post-announcement Period, the trading volume of Shares was low during the Review Period. It is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price; and
- (iv) there are likely uncertainties in the future performance of the Group as discussed in the paragraph headed “C. Business prospects of the Group” under the section headed “1. Business, financial performance and prospects of the Group” above,

we consider that the terms of the Share Offer is fair and reasonable so far as the Independent Shareholders are concerned. On such basis, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Share Offer. In view of the volatility of market conditions, those Independent Shareholders who intend to accept the Share Offer are strongly reminded to closely monitor the market price and the liquidity of the Shares during the Offer Period and should consider selling their Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Share Offer after having regard to the market price and the liquidity of the Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For those Independent Shareholders who are attracted by and confident in the future prospects of the Group, given the background and future intention of the Offeror as detailed in the “Letter from CCBI” contained in the Composite Document and notwithstanding that no detailed business plan has been laid down by the Offeror, they may consider to retain their Shares in full or in part. We would like to remind the Independent Shareholders that if they consider retaining their Shares or tendering less than all their Shares under the Share Offer, they should carefully consider the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Share Offer in view of the historical low liquidity of the Shares and there is no guarantee that the prevailing level of the share price will sustain during and after the Offer Period. The Independent Shareholders are strongly advised that the decision to realise or to continue to hold their investments in the Shares is subject to individual circumstances and investment objectives.

The CB Offer

Based on the above principal factors and reasons, in particular the fact that in the event that the CB Holder has not exercised the conversion rights before its maturity date on 10 January 2019, the CB Holder should be entitled to receive 100% principal of the unexercised Convertible Bonds of HK\$100,000,000 together with any unpaid interest thereon on 10 January 2019 which exceeds the amount to be received of HK\$92,500,000 upon the acceptance of the CB Offer, we are of the opinion that the offer price under the CB Offer is not fair and reasonable to the CB Holder. Accordingly, we recommend the Independent Board Committee to advise the CB Holder not to accept the CB Offer.

The Independent Shareholders and the CB Holder are also reminded to read carefully the procedures for accepting the Offers, details of which are set out in Appendix I to the Composite Document and the accompanying Forms of Acceptance, if they wish to accept the Offers.

Yours faithfully,
For and on behalf of
Astrum Capital Management Limited
Hidulf Kwan **Alfred Wong**
Managing Director *Director*

Note: Mr. Hidulf Kwan has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2006 and has participated in and completed various independent financial advisory transactions.

Mr. Alfred Wong is a licensed person registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and has approximately 19 years of experience in the corporate finance industry.

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1. PROCEDURES FOR ACCEPTANCE

1.1 The Share Offer

- (a) To accept the Share Offer, you should complete and sign the accompanying **WHITE** Form of Share Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Share Offer.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must lodge the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept the Share Offer, with the Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your holding of Shares (whether in full or in part), you must either:
 - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the duly completed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

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- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (d) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Share Offer Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or CCBI or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance.

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- (f) Acceptance of the Share Offer will be treated as valid only if the completed **WHITE** Form of Share Offer Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive) and the Registrar has recorded the acceptance and any relevant documents required by the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange.

If the **WHITE** Form of Share Offer Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

No acknowledgement of receipt of any **WHITE** Form of Share Offer Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

1.2 The CB Offer

- (a) If you accept the CB Offer and the certificate(s) of the Convertible Bonds and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are in your name, you should complete the **BLUE** Form of CB Offer Acceptance in accordance with the instructions printed thereon in respect of the outstanding principal amount of the Convertible Bonds held by you that you wish to tender to the CB Offer, which instructions form part of the terms and conditions of the CB Offer.
- (b) The completed **BLUE** Form of CB Offer Acceptance should be lodged, together with the relevant certificate(s) of the Convertible Bonds and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) which you intend to accept the CB Offer, with the Company

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at Unit 1612–18, Level 16, Tower 1, Grand Century Place, 193 Prince Edward Road West, Mongkok, Kowloon, Hong Kong as soon as possible but in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

- (c) No acknowledgement of receipt of any **BLUE** Form of CB Offer Acceptance and/or certificate(s) of the Convertible Bonds and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. SETTLEMENT OF THE OFFERS

2.1 The Share Offer

Provided that a valid **WHITE** Form of Share Offer Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are duly completed in all respects and have been received by the Registrar before the close of the Share Offer, a cheque for the amount due to each of the Independent Shareholders who accepts the Share Offer less seller's ad valorem stamp duty in respect of the Shares tendered by it/him/her under the Share Offer will be despatched to such Independent Shareholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven Business Days following the receipt of all the relevant documents by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

2.2 The CB Offer

Provided that a valid **BLUE** Form of CB Offer Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are duly completed in all respects and have been received by the Company before the close of the CB Offer, a cheque for the amount due to the CB Holder who accepts the CB Offer in respect of the Convertible Bonds tendered by it/him/her under the CB Offer will be despatched to the CB Holder by ordinary post at its/his/her own risk as soon as possible but in any event within seven Business Days following the receipt of all the relevant documents by the Company to render such acceptance complete and valid.

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Settlement of the consideration to which the accepting CB Holder is entitled under the CB Offer will be implemented in full in accordance with the terms of the CB Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting CB Holder.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) In order to be valid for the Offers, the **WHITE** Form of Share Offer Acceptance and the **BLUE** Form of CB Offer Acceptance must be received by the Registrar (in respect of the Share Offer) or the Company (in respect of the CB Offer) in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date, unless the Offers are extended or revised with the consent of the Executive.
- (b) The Offeror reserves the right to revise the terms of the Offers after the despatch of this Composite Document until such day as it may determine and in accordance with the Takeovers Code. If the Offeror revises the terms of the Offers, all the Independent Shareholders and the CB Holder, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms.
- (c) If the Offers are extended or revised, the announcement of such extension or revision will state the next closing date or the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offers are closed to the Independent Shareholders and the CB Holder who have not accepted the Offers, and an announcement will be released. The revised Offers will be kept open for at least 14 days thereafter.
- (d) If the Closing Date of the Offers is extended, any reference in this Composite Document and in the Form(s) of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offers as so extended.
- (e) Any acceptance of the relevant revised Offers shall be irrevocable unless and until the Independent Shareholders and the CB Holder who accept the Offers become entitled to withdraw their acceptance under the paragraph headed "5. Right of Withdrawal" below and duly do so.

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4. ANNOUNCEMENTS

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offers. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating, amongst other information required under Rule 19.1 of the Takeovers Code, whether the Offers have been revised, extended, or has expired.

The announcement will state the total number of Shares and Convertible Bonds:

- (i) for which acceptances of the Offers have been received;
- (ii) held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period; and
- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror and parties acting in concert with it.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which the Offeror and parties acting in concert with it have borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

In computing the total number of Shares or principal amount of the Convertible Bonds represented by acceptances, only valid acceptances that are complete, in good order and fulfill the acceptance conditions set out in paragraph 1 of this appendix, and which have been received by the Registrar (in respect of the Share Offer) or the Company (in respect of the CB Offer) respectively no later than 4:00 p.m. on the Closing Date, unless the Offers are extended or revised with the consent of the Executive, shall be included.

- (b) As required under the Takeovers Code, all announcements in relation to the Offers which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the Listing Rules, where appropriate.

5. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offers tendered by the Independent Shareholders and CB Holder shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below.

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- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “4. Announcements” above, the Executive may require that the Independent Shareholders and the CB Holder who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, when the Independent Shareholders and CB Holder withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title or the relevant certificate(s) in respect of the Convertible Bonds (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Forms of Acceptance to the relevant Independent Shareholder(s) and the CB Holder.

6. HONG KONG STAMP DUTY

Seller’s ad valorem stamp duty arising in connection with acceptance of the Share Offer will be payable by the Independent Shareholders who accept the Share Offer at the rate of 0.1% of the consideration payable by the Offeror for the Shares of such Independent Shareholders, or (if higher) the value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong). The relevant amount of stamp duty payable by the Independent Shareholders will be deducted from the consideration payable to the accepting Independent Shareholders under the Share Offer. The Offeror will bear its own portion of buyer’s ad valorem stamp duty at the rate of 0.1% of the consideration payable in respect of acceptances of the Share Offer and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of the Shares which are validly tendered for acceptance under the Share Offer.

No stamp duty is payable in connection with the acceptance of the CB offer.

7. TAXATION ADVICE

Independent Shareholders and the CB Holder are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror and parties acting in concert with it, the Company, and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

8. GENERAL

- (a) All communications, notices, Forms of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and the CB Holder will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company,

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the Offeror, CCBI and any of their respective directors nor the Registrar or other parties involved in the Offers or any of their respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

- (b) The provisions set out in the Form(s) of Acceptance form part of the terms and conditions of the Offers.
- (c) The accidental omission to despatch this Composite Document and/or Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate either the Share Offer or the CB Offer in any way.
- (d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form(s) of Acceptance will constitute an authority to the Offeror, CCBI or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as they may direct, the Shares or the Convertible Bonds in respect of which such person or persons has/have accepted the Offers.
- (f) By accepting the Offers, the Independent Shareholders and the CB Holder will sell their Shares or Convertible Bonds (as the case may be) to the Offeror free from all encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights accruing or attaching to them, including, without limitation, the right to receive all dividends and distributions (as applicable) which may be recommended, declared, made or paid by reference to a record date on or after the date on which the Share Offer or the CB Offer (as the case may be) is made, that is, the date of this Composite Document.
- (g) The Offers are made available to all Independent Shareholders and the CB Holder, including those who are residents outside Hong Kong. The availability of the Offers to persons not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Such overseas Independent Shareholders and the CB Holder who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. Persons who are residents, citizens or nationals outside Hong Kong should inform themselves about and observe, at its own responsibility, any applicable laws, regulations, requirements and restrictions in their own jurisdictions in connection with the acceptance of the Offers, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other fares due in such jurisdiction.

APPENDIX I

**FURTHER TERMS AND PROCEDURES FOR
ACCEPTANCE OF THE OFFERS**

Any acceptance by Independent Shareholders and the CB Holder and beneficial owners of the Shares and/or Convertible Bonds who are citizens, residents or nationals of a jurisdiction outside Hong Kong will be deemed to constitute a representation and warranty from such persons to the Offeror, CCBI and the Company that the local laws and requirements have been complied with. Independent Shareholders and the CB Holder should consult their respective professional advisers if in doubt. Independent Shareholders and the CB Holder who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

- (h) Acceptance of the Offers by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares or Convertible Bonds in respect of which as indicated in the Form(s) of Acceptance is the aggregate number of Shares or Convertible Bonds held by such nominee for such beneficial owner who is accepting the Offers.
- (i) Reference to the Offers in this Composite Document and in the Forms of Acceptance shall include any extension or revision thereof.
- (j) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders and the CB Holder in the Forms of Acceptance shall be irrevocable except as permitted under the Takeovers Code.
- (k) The English text of this Composite Document and the Forms of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP****1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP**

The following is a summary of the financial results of the Group for each of the three years ended 31 December 2017 as extracted from the annual reports of the Company and the unaudited financial results of the Group for the six months ended 30 June 2018 as extracted from the interim report of the Company for the six months ended 30 June 2018.

No qualified opinion was given by the auditor of the Company, namely Deloitte Touche Tohmatsu, in respect of the Group's audited consolidated financial statements for each of the two years ended 31 December 2015, 31 December 2016 and no qualified opinion was given by the auditor of the Company, namely Crowe (HK) CPA Limited in respect of the Group's audited consolidated financial statements for the year ended 31 December 2017 as well as for the six months ended 30 June 2018.

The Group had no exceptional items because of size, nature or incidence for each of the three years ended 31 December 2017.

	FY2015 (audited) (HK\$'000)	FY2016 (audited) (HK\$'000)	FY2017 (audited) (HK\$'000)	6M2018 (unaudited) (HK\$'000)
Revenue	414,315	248,883	227,205	84,276
Loss before tax	(6,753)	(142,585)	(183,184)	(41,332)
Income tax expense	(5,163)	(2,426)	(14,099)	(1,789)
Loss attributable to the owners of the Target Company	(11,916)	(145,011)	(197,283)	(43,121)
Basic loss per share (Hong Kong cents)	<u>(3.43)</u>	<u>(41.74)</u>	<u>(56.78)</u>	<u>(12.41)</u>
Diluted loss per share (Hong Kong cents)	<u>(3.43)</u>	<u>(41.74)</u>	<u>(56.78)</u>	<u>(12.41)</u>
Dividends	27,795	—	—	—
Dividends per share (Hong Kong cents)	<u>8.00</u>	<u>—</u>	<u>—</u>	<u>—</u>

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP**

	As at 31 December			As at
	2015	2016	2017	30 June
	(audited)	(audited)	(audited)	(unaudited)
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Non-current Assets	101,698	96,992	86,621	56,946
Current Assets	759,757	598,187	540,996	488,189
Current liabilities	202,439	105,263	193,165	245,056
Net current assets	557,318	492,924	347,831	243,133
Non-current liabilities	17,612	96,846	116,866	26,185
Net assets	641,404	493,070	317,586	273,894
Capital and reserves				
Share capital	3,474	3,474	3,474	3,474
Share premium and reserve	637,930	489,596	314,112	270,420
Total Equity	641,404	493,070	317,586	273,894

2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this Composite Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2017 (the “**2017 Financial Statements**”) and (ii) the unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 June 2018 (the “**2018 Interim Financial Statements**”), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2017 Financial Statements are set out from page 49 to page 111 in the Annual Report 2017 of the Company, which was published on 26 April 2018. The Annual Report 2017 was posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.ernestborel.ch/en>), and is accessible via the following hyperlinks:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0426/LTN201804261307.pdf>

http://www.ernestborel.ch/pdf/en/EW01856_AR.pdf

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP**

The 2018 Interim Financial Statements are set out from page 21 to page 38 in the Interim Report 2018 of the Company, which was published on 27 September 2018. The Interim Report 2018 was posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.ernestborel.ch/en>), and is accessible via the following hyperlinks:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0927/LTN20180927662.pdf>

<http://www.ernestborel.ch/pdf/en/EW01856-IR18.PDF>

The 2017 Financial Statements and the 2018 Interim Financial Statements (but not any other part of the Annual Report 2017 and Interim Report 2018 in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. INDEBTEDNESS

The following table illustrates the indebtedness of the Group as at 31 August 2018, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Composite Document:

Bank and other borrowings

As at 31 August 2018, the Group had bank and other borrowings of approximately HK\$10.9 million, of which HK\$10.9 million were secured and HK\$Nil were unsecured.

Other indebtedness

As at 31 August 2018, the Group had outstanding convertible bond with principal amount of HK\$100 million with maturity date on 10 January 2019, and outstanding notes payable with principal amounts of HK\$100 million with maturity dates of 21 September 2019. All of the convertible bond and notes are unsecured and guaranteed by Mr. Sit Yau Chiu, an executive director and the chairman of the Company.

Pledge of assets

As at 31 August 2018, the Group's bank deposits of approximately HK\$1.0 million, deposits placed for life insurance policies of approximately HK\$17.7 million were pledged to secure certain bank borrowings.

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP****Operating lease commitments**

As at 31 August 2018, the Group had commitments for future minimum lease payments for premises under non-cancelling operating lease which fall due as follows:

	<i>HK\$'000</i>
Within one year	6,905
In the second to fifth years inclusive	<u>3,123</u>
	<u><u>10,028</u></u>

Contingent liabilities

As at the close of business on 31 August 2018, the Group had the following litigations:

- (a) On 6 October 2017, there is a claim against Ernest Borel (Far East) Company Limited (“**EB Far East**”), a wholly-owned subsidiary of the Company, for RMB1,726,664.80 in relation to rentals in respect of a store operated by a tenant under an agreement dated 1 August 2012 and a co-operation agreement dated 21 July 2015 purportedly made between EB Far East and the tenant, plus interest accruing on the rentals claimed and other related costs. On 10 January 2018, EB Far East filed a defence and a counter-claim. The above litigation is still at the early stage and EB Far East will vigorously defend against the claim taken by the tenant. However, to minimise the impact to the business operation in the future due to uncertainty, full provision for the rentals claimed has been made in the consolidated financial statements for the year ended 31 December 2017.
- (b) On 20 October 2017, Guangzhou Tianhe Labour Dispute Arbitration Commission* (廣州市天河區勞動人事爭議仲裁委員會) issued an award (the “**Award**”) against Ernest Borel (Guangzhou) Trading Co., Ltd. (“**EB Guangzhou**”), an indirect wholly-owned subsidiary of the Company, for a claim of salaries and other Payment totaling RMB2,566,186.83 in favour of Ms. Liu Libing (“**Ms. Liu**”) (the “**Termination Case**”). Ms. Liu brought the claim in the capacity of an employee regarding her employment as the general manager of EB Guangzhou. Ms. Liu was also a director of the Company but retired on 26 May 2017. On 21 November 2017, EB Guangzhou instituted a legal action in Guangzhou Tianhe District Court* (廣州市天河區法院) to set aside the Award and claim for losses of RMB836,000 suffered. On 24 November 2017, Ms. Liu further claimed RMB1,173,000 against EB Guangzhou, and this case has been suspended for final judgement of the Termination Case. The directors of the Company believe that EB Guangzhou shall have valid grounds to defend all the claims taken by Ms. Liu. The legal

* For identification purposes only

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP**

proceedings taken by EB Guangzhou in Guangzhou Tianhe District Court are still in progress of first instance trial. However, full provision for the claim has been made in the consolidated financial statements for the year ended 31 December 2017.

- (c) On 12 June 2017, Mr. Su Da, a former employee of the Company instigated a legal action against the Company for claim of salaries and other benefits in arrears in the capacity of an employee regarding his employment as the chief executive officer of the Company. The Company disputed the claim. No provision for the claim has been made in the consolidated financial statements and the Company does not expect to sustain material loss arising from the claim.
- (d) On 20 July 2017, EB Guangzhou instituted a legal action against a distributor for the settlement of outstanding trade debts of RMB26,529,351.70 and related overdue interest. This distributor counterclaimed against EB Guangzhou for losses of RMB4,961,761.80 on 7 November 2017, and then withdrew most part of its counterclaim for losses of RMB3,979,000 arising from termination of the distributorship agreement on 8 May 2018. Management of the Group is of the opinion that EB Guangzhou shall have valid grounds to defend and set aside the rest counterclaim of RMB982,761.80 by this distributor. In case the counterclaim upheld by the court, it would be set off against the outstanding trade debts of the distributor. Accordingly, no provision for the counterclaim is considered necessary.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 August 2018, the Group did not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, loans, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages or charges, material contingent liabilities or guarantees outstanding.

4. MATERIAL CHANGE

The Directors confirm that, save and except as disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to and including the Latest Practicable Date.

As disclosed in the interim report of the Company for the six months ended 30 June 2018 (“**PE2018**”), loss attributable to owners of the Company for PE2018 was approximately HK\$43.1 million, representing a decrease of approximately 47.1% as compared to approximately HK\$81.6 million for the six months ended 30 June 2017. Such improvement was mainly due to (i) the decrease in the provision of inventory and bad debts; and (ii) the decrease in operational expenses by the implementation of effective cost control measures by the Group.

APPENDIX III**GENERAL INFORMATION OF THE GROUP****1. RESPONSIBILITY STATEMENT**

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Independent Shareholders and the CB Holder with regard to the Offeror, the Group and the Offers.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

This Composite Document, for which all Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror and parties acting in concert with it), is in compliance with the Listing Rules. The Directors confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this Composite Document (other than the information relating to the Offeror and parties acting in concert with it) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this Composite Document (other than that relating to the Offeror and parties acting in concert with it) misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each. The number of issued and paid-up Shares as at the Latest Practicable Date was 347,437,000 Shares.

All the Shares in issue rank *pari passu* in all respects with each other, including as to rights in respect of capital and dividends and voting. The Company has not issued any Shares since 31 December 2017, being the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date.

As at the Latest Practicable Date, there were 347,437,000 Shares in issue, of which the Offeror and parties acting in concert with it held 202,275,000 Shares, representing approximately 58.22% of the issued share capital of the Company.

As at the Latest Practicable Date, the Company had in issue the Convertible Bonds in the outstanding principal amount of HK\$100,000,000 convertible into 50,000,000 Shares at the initial conversion price of HK\$2.00 per Share (subject to adjustment). Other than the Shares in issue and the Convertible Bonds, the Company has no other outstanding shares, options, warrants, derivative or other securities that are convertible or exchangeable into Shares or other types of equity interest in issue.

APPENDIX III**GENERAL INFORMATION OF THE GROUP****3. MARKET PRICES**

The table below shows the closing price of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price <i>HK\$</i>
29 March 2018	1.350
30 April 2018	1.230
31 May 2018	1.400
29 June 2018	1.140
31 July 2018	1.270
31 August 2018	1.400
12 September 2018 (Last Trading Day)	1.440
28 September 2018	1.84
2 October 2018 (Latest Practicable Date)	1.84

During the Relevant Period, the highest closing price of the Shares quoted on the Stock Exchange was HK\$1.85 on 19, 21 and 24 September 2018 and the lowest closing price of the Shares quoted on the Stock Exchange was HK\$1.06 on 20 April 2018.

4. DISCLOSURE OF INTEREST**(a) Interests and short positions of the Directors and chief executive**

As at the Latest Practicable Date, the following Directors had, or were deemed to have, interests and short positions in the Shares, underlying Shares and debentures of the Company or shares, underlying shares and debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO), which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, or (iv) required to be disclosed under the Takeovers Code:

Name of Director	Capacity/nature of interest	Number of Shares/ underlying Shares held	Approximate percentage of interest in the total issued Shares <i>(Note 2)</i>
Mr. Xiong Wei	Interest in controlled corporation (Note 1)	37,935,000	10.92%

APPENDIX III**GENERAL INFORMATION OF THE GROUP**

Notes:

- (1) Prime Route Investment Limited is a company wholly-owned and controlled by Mr. Xiong Wei. Mr. Xiong Wei is therefore deemed to be interested in the Shares held by Prime Route Investment Limited.
- (2) Calculated based on the number of issued Shares as at the Latest Practicable Date (i.e. 347,437,000 Shares).

(b) Interests and short positions of substantial Shareholders

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name	Capacity/nature of interest	Number of Shares/ underlying Shares held	Approximate percentage of interest in the total issued Shares (Note 3)
The Offeror	Beneficial owner (Note 1)	202,275,000	58.22%
Phoenix Green Limited	Beneficial owner (Note 2)	50,000,000	14.39%

Notes:

- (1) The Offeror is a company wholly-owned and controlled by Citychamp. Citychamp is therefore deemed to be interested in the Shares held by the Offeror.
- (2) Phoenix Green Limited is the holder of the Convertible Bonds with an aggregate outstanding principal amount of HK\$100,000,000 convertible into 50,000,000 new Shares at the initial conversion price of HK\$2.00 per Share (subject to adjustment).
- (3) Calculated based on the number of issued Shares as at the Latest Practicable Date (i.e. 347,437,000 Shares).

5. INTERESTS IN THE COMPANY AND THE OFFEROR AND ARRANGEMENTS IN CONNECTION WITH THE OFFERS

As at the Latest Practicable Date:

- i. no arrangement was in place for any benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Offers;

APPENDIX III

GENERAL INFORMATION OF THE GROUP

- ii. none of the Company and any of the Directors was interested in or owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror;
- iii. there were no relevant securities (as defined in note 4 to rule 22 of the Takeovers Code) of the Company which the Company or the Directors had borrowed or lent;
- iv. none of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or an associate of the Company by virtue of class (2) of the definition of “associate” in the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;
- v. no persons had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of classes (2), (3) or (4) of the definition of “associate” under the Takeovers Code;
- vi. no Shares, convertible securities, warrants, options or derivatives in respect of any Shares were managed on a discretionary basis by fund managers connected with the Company;
- vii. there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers;
- viii. no material contracts have been entered into by the Offeror in which any Director has a material personal interest; and
- ix. save for Mr. Xiong Wei who holds 37,935,000 Shares, none of the Directors held any Shares, and Mr. Xiong Wei did not intend to, in respect of his own beneficial interest, to accept the Share Offer.

6. DEALING IN SECURITIES AND OTHER ARRANGEMENTS

During the Relevant Period:

- i. none of the Company nor any of the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror;
- ii. none of the Directors have dealt for value in any Shares, options, derivatives, warrants or other securities convertible into the Shares;
- iii. none of the subsidiaries of the Company or any pension funds of the Group or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or an associate of the Company by virtue

APPENDIX III**GENERAL INFORMATION OF THE GROUP**

of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders) had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;

- iv. no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of classes (2), (3) or (4) of the definition of “associate” under the Takeovers Code had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
- v. no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

7. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group or the associated companies of the Company which:

- (i) have been entered into or amended (including both continuous and fixed term contracts) within 6 months prior to the commencement of the Offer Period;
- (ii) are continuous contracts with a notice period of 12 months or more; or
- (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

8. EXPERT AND CONSENT

In addition to the Offeror’s experts listed in paragraph 4 of Appendix IV to this Composite Document, the following are the qualifications of the expert who has given opinions or advice which is contained or referred to in this Composite Document:

Name	Qualification
Astrum	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 SFO

Astrum has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, report, recommendation, opinion, and/or references to its name in the form and context in which it appears.

9. LITIGATION

As at the Latest Practicable Date, the Group had the following litigations:

- (a) On 6 October 2017, there is a claim against Ernest Borel (Far East) Company Limited (“**EB Far East**”), a wholly-owned subsidiary of the Company, for RMB1,726,664.80 in relation to rentals in respect of a store operated by a tenant under an agreement dated 1 August 2012 and a co-operation agreement dated 21 July 2015 purportedly made between EB Far East and the tenant, plus interest accruing on the rentals claimed and other related costs. On 10 January 2018, EB Far East filed a defence and a counter-claim. The above litigation is still at the early stage and EB Far East will vigorously defend against the claim taken by the tenant. However, to minimise the impact to the business operation in the future due to uncertainty, full provision for the rentals claimed has been made in the consolidated financial statements for the year ended 31 December 2017.
- (b) On 20 October 2017, Guangzhou Tianhe Labour Dispute Arbitration Commission* (廣州市天河區勞動人事爭議仲裁委員會) issued an award (the “**Award**”) against Ernest Borel (Guangzhou) Trading Co., Ltd. (“**EB Guangzhou**”), an indirect wholly-owned subsidiary of the Company, for a claim of salaries and other Payment totaling RMB2,566,186.83 in favour of Ms. Liu Libing (“**Ms. Liu**”) (the “**Termination Case**”). Ms. Liu brought the claim in the capacity of an employee regarding her employment as the general manager of EB Guangzhou. Ms. Liu was also a director of the Company but retired on 26 May 2017. On 21 November 2017, EB Guangzhou instituted a legal action in Guangzhou Tianhe District Court* (廣州市天河區法院) to set aside the Award and claim for losses of RMB836,000 suffered. On 24 November 2017, Ms. Liu further claimed RMB1,173,000 against EB Guangzhou, and this case has been suspended for final judgement of the Termination Case. The directors of the Company believe that EB Guangzhou shall have valid grounds to defend all the claims taken by Ms. Liu. The legal proceedings taken by EB Guangzhou in Guangzhou Tianhe District Court are still in progress of first instance trial. However, full provision for the claim has been made in the consolidated financial statements for the year ended 31 December 2017.
- (c) On 12 June 2017, Mr. Su Da, a former employee of the Company instigated a legal action against the Company for claim of salaries and other benefits in arrears in the capacity of an employee regarding his employment as the chief executive officer of the Company. The Company disputed the claim. No provision for the claim has been made in the consolidated financial statements and the Company does not expect to sustain material loss arising from the claim.
- (d) On 20 July 2017, EB Guangzhou instituted a legal action against a distributor for the settlement of outstanding trade debts of RMB26,529,351.70 and related overdue interest. This distributor counterclaimed against EB Guangzhou for losses of RMB4,961,761.80 on 7 November 2017, and then withdrew most part of its

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APPENDIX III**GENERAL INFORMATION OF THE GROUP**

counterclaim for losses of RMB3,979,000 arising from termination of the distributorship agreement on 8 May 2018. Management of the Group is of the opinion that EB Guangzhou shall have valid grounds to defend and set aside the rest counterclaim of RMB982,761.80 by this distributor. In case the counterclaim upheld by the court, it would be set off against the outstanding trade debts of the distributor. Accordingly, no provision for the counterclaim is considered necessary.

As at the Latest Practicable Date, save for the above, none of the Company and its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is pending or threatened by or against the Company or any other member of the Group.

10. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, were entered into by any member of the Group after the date falling two years before the commencement of the Offer Period up to and including the Latest Practicable Date and are or may be material:

- (i) the sale and purchase agreement dated 30 November 2017 between Swissmount Holdings Limited, a wholly-owned subsidiary of the Company, and Mr. Sit in respect of the acquisition of the entire issued share capital of Top Win International Trading Limited for a total consideration of HK\$50,000,000 (such agreement was subsequently terminated);
- (ii) the subscription agreement dated 18 September 2017 between the Company and COFCO Capital (Hong Kong) Co., Limited (the “**Subscriber**”) pursuant to which the Subscriber agreed to subscribe for, and the Company agreed to issue, the HK\$100,000,000 8.5% guaranteed notes of the Company; and
- (iii) the subscription agreement dated 5 January 2017 between the Company and the CB Holder, pursuant to which the CB Holder agreed to subscribe for, and the Company agreed to issue, the Convertible Bonds.

11. GENERAL

- (i) As at the Latest Practicable Date, the registered office of the Company is at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands and the principal place of business of the Company is at Unit 1612–18, Level 16, Tower 1, Grand Century Place, 193 Prince Edward Road West, Mongkok, Kowloon, Hong Kong.
- (ii) As at the Latest Practicable Date, the share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

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GENERAL INFORMATION OF THE GROUP

- (iii) As at the Latest Practicable Date, the registered office of Astrum is at Room 2704, 27/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.
- (iv) The English texts of this Composite Document and the Forms of Acceptance shall prevail over the Chinese texts, in case of any inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on (i) the website of the SFC (<http://www.sfc.hk>); and (ii) the website of the Company at <http://www.ernestborel.ch/en> (iii) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company at Unit 1612–18, Level 16 Tower 1, Grand Century Place, 193 Prince Edward Road West, Mongkok, Kowloon, Hong Kong; during the period from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 December 2017;
- (c) the letter from the Board, the text of which is set out in this Composite Document;
- (d) the letter from the Independent Board Committee, the text of which is set out in this Composite Document;
- (e) the letter from the Independent Financial Adviser, the text of which is set out in this Composite Document;
- (f) the written consent referred to in the paragraph headed “8. Expert and Consent” in this appendix; and
- (g) the material contracts referred to in the paragraph headed “10. Material Contracts” in this appendix.

APPENDIX IV**GENERAL INFORMATION OF THE OFFEROR****1. RESPONSIBILITY STATEMENT**

The information contained in this Composite Document relating to the Offeror and its intention has been supplied by the Offeror. The directors of the Offeror and the directors of Citychamp jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the directors of the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS OF THE OFFEROR

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror, the directors of the Offeror and parties acting in concert with the Offeror were as follows:

Name	Capacity/nature of interest	Number of Shares/ underlying Shares held	Approximate percentage of interest in the total issued Shares (Note 2)
The Offeror	Beneficial owner (Note 1)	202,275,000	58.22%
Citychamp	Interest in controlled corporation (Note 1)	202,275,000	58.22%
Full Day Limited	Interest in controlled corporation (Note 1)	202,275,000	58.22%
Sincere View International Limited	Interest in controlled corporation (Note 1)	202,275,000	58.22%
Hon Kwok Lung	Interest in controlled corporation (Note 1)	202,275,000	58.22%
Lam Suk Ying	Interest in controlled corporation (Note 1)	202,275,000	58.22%

Notes:

- (1) The Offeror is a company wholly-owned and controlled by Citychamp. As at the Latest Practicable Date, Citychamp is held as to 37.69% by Full Day Limited and 31.65% by Sincere View International Limited. Full Day Limited is a company wholly-owned by Mr. Hon Kwok Lung. Sincere View International Limited is held as to 80% by Mr. Hon Kwok Lung and 20% by Ms. Lam Suk Ying, who is the spouse of Mr. Hon Kwok Lung. Mr. Hon Kwok Lung and Ms. Lam Suk Ying also directly hold 0.08% and 0.03% in the issued share capital of Citychamp respectively. Therefore, each of Mr. Hon Kwok Lung, Ms. Lam Suk Ying, Full Day Limited, Sincere View International Limited and Citychamp is deemed to have an interest in the 202,275,000 Shares held by the Offeror.

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GENERAL INFORMATION OF THE OFFEROR

- (2) Calculated based on the number of issued Shares as at the Latest Practicable Date (i.e. 347,437,000 Shares).

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror, its directors and parties acting in concert with the Offeror had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

3. DISCLOSURE OF OTHER INTERESTS AND DEALINGS IN SECURITIES OF THE COMPANY

As at the Latest Practicable Date, save for the Sale Shares acquired by the Offeror pursuant to the Agreements:

- (a) none of the Offeror or parties acting in concert with it (including Citychamp) has dealt in any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (b) none of the Offeror, its directors and/or parties acting in concert with it (including Citychamp) owned or had control over any voting rights or rights over the Shares, options, derivatives, warrants or other securities convertible into Shares;
- (c) there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Offers would be transferred, charged or pledged to any other persons;
- (d) none of the Offeror and parties acting in concert with it (including Citychamp) has received any irrevocable commitment to accept the Offers;
- (e) no benefit (other than statutory compensation) was or would be given by the Offeror to any Director as compensation for his loss of office or otherwise in connection with the Offers;
- (f) there is no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers;
- (g) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any party acting in concert with it (including Citychamp) on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or dependence upon the Offers;
- (h) no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offers exists between the Offeror, the Company or any associates of the Offeror or the Company;

APPENDIX IV**GENERAL INFORMATION OF THE OFFEROR**

- (i) none of the Offeror and parties acting in concert with it (including Citychamp) has borrowed or lent any Shares, convertible securities, warrants, options or derivatives in the Company during the Relevant Period;
- (j) no other person had made irrevocable commitment to the Offeror that he would accept or reject the Offers;
- (k) no Shares or convertible securities, warrants, options or derivatives of the Company was owned or controlled by a person with whom the Offeror or any party acting in concert with it (including Citychamp) had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code, and no such person had dealt in any Shares or convertible securities, warrants, options or derivatives of the Company during the Relevant Period; and
- (l) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers connected with the Offeror and/or parties acting in concert with it (including Citychamp), and no such person had dealt in any Shares or convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

Save for the consideration payable under the Top One Global Agreement and the Sino Wisdom Agreement, there is no other consideration, compensation or benefits in whatever form provided by the Offeror and parties acting in concert with it (including Citychamp) to Top One Global, Sino Wisdom and parties acting in concert with any of them.

As at the Latest Practicable Date, there is no special deal (under Rule 25 of the Takeovers Code) between the Offeror and parties acting in concert with it (including Citychamp) on the one hand and Top One Global and Sino Wisdom and parties acting in concert with any of them on the other hand.

4. QUALIFICATION AND CONSENT OF EXPERTS

In addition to the Company's expert listed in paragraph 8 of Appendix III to this Composite Document, the followings are the qualifications of the experts whose letter/opinion are contained in this Composite Document:

Name	Qualification
CCBI	CCB International Capital Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

The above expert has given and has not withdrawn its written consents to the issue of this Composite Document with the inclusion herein of its advice, letter and/or references to its name in the form and context in which it appears.

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GENERAL INFORMATION OF THE OFFEROR

5. GENERAL

- (i) As at the Latest Practicable Date, the registered office of the Offeror is at Units 1902–04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The directors of the Offeror are Mr. Teguh Halim and Ms. Lam Lai. The directors of Citychamp are Mr. Hon Kwok Lung, Mr. Shang Jianguang, Mr. Shi Tao, Mr. Lam Toi Man, Mr. Bi Bo, Ms. Sit Lai Hei, Mr. Hon Hau Wong and Mr. Teguh Halim as executive directors, and Mr. Fung Tze Wa, Dr. Kwong Chun Wai Michael, Mr. Zhang Bin and Mr. Rudolf Heinrich Escher as independent non-executive directors.
- (ii) As at the Latest Practicable Date, the registered office of Citychamp is at P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands.
- (iii) As at the Latest Practicable Date, the registered office of CCBI is at 12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong.
- (iv) The English text of this Composite Document and the accompanying Forms of Acceptance shall prevail over their respective Chinese texts.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) at the website of the SFC at <http://www.sfc.hk> and the website of the Company at <http://www.ernestborel.ch/en> during the period from the date of this Composite Document up to and including the Closing Date; and (ii) at the principal place of business of the Company at Unit 1612–18, Level 16, Tower 1, Grand Century Place, 193 Prince Edward Road West, Mongkok, Kowloon, Hong Kong during the normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturday, Sunday and public holidays in Hong Kong) from the date of this Composite Document up to and including the Closing Date;

- (a) the articles of association of the Offeror;
- (b) this Composite Document;
- (c) the letter dated 5 October 2018 from CCBI as set out on pages 6 to 17 of this Composite Document; and
- (d) the letters of consents referred to under the paragraph headed “4. Qualifications and Consents of Experts” in this appendix.