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## **ERNEST BOREL HOLDINGS LIMITED**

**依波路控股有限公司**

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

**(Stock Code: 1856)**

### **CONTINUING CONNECTED TRANSACTIONS MASTER SALE AND PURCHASE AGREEMENT**

On 21 October 2019, the Company and Citychamp, a substantial shareholder of the Company, entered into the Master Sale and Purchase Agreement pursuant to which (1) the Citychamp Group, may, from time to time, purchase Watches from the Group; and (2) the Group may, from time to time, sell Watches to the Citychamp Group during the term of the Master Sale and Purchase Agreement.

As at the date of this announcement, Citychamp is a substantial shareholder of the Company, holding approximately 64.08% of the issued share capital of the Company, hence it is a connected person of the Company. The entering into of the Master Sale and Purchase Agreement between the Company and Citychamp will therefore constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual cap under the Master Sale and Purchase Agreement is higher than 0.1% but less than 5% on an annual basis, the Master Sale and Purchase Agreement is subject to reporting, annual review and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

## **INTRODUCTION**

On 21 October 2019, the Company and Citychamp, a substantial shareholder of the Company, entered into the Master Sale and Purchase Agreement pursuant to which (1) the Citychamp Group may, from time to time, purchase Watches from the Group; and (2) the Group may, from time to time, sell Watches to the Citychamp Group during the term of the Master Sale and Purchase Agreement. The Master Sale and Purchase Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

## THE MASTER SALE AND PURCHASE AGREEMENT AND PRICING POLICY

The principal terms of the Master Sale and Purchase Agreement and set out as follows:

- Date : 21 October 2019
- Parties : (1) The Company  
(2) Citychamp
- Term : From 21 October 2019 to 31 December 2020, unless terminated by either party by giving 30 days' prior written notice to the other party
- Nature and terms of transactions : (1) the Citychamp Group, may, from time to time, purchase Watches from the Group; and  
(2) the Group, may, from time to time, sell Watches to Citychamp Group.
- Pricing policy : The unit prices of the Watches purchased by the Citychamp Group shall be determined by reference to the price lists of the relevant Watches adopted by the Group from time to time and generally applicable to all customers of the Group on arm's length and normal commercial terms.

The Group and the Citychamp Group may, from time to time, enter into separate transactions for the sale and purchase of Watches by entering into separate agreements that incorporate by reference the general terms and conditions under which such sale and purchase shall take place as recorded in the Master Sale and Purchase Agreement.

The actual quantity of the Watches to be purchased by the Citychamp Group, the payment terms and the time and place of delivery of the Watches concerned shall conform to the separate agreements to be entered into between the Citychamp Group and the Group.

## THE PROPOSED ANNUAL CAPS AND THE BASIS OF DETERMINATION

The proposed annual caps for the aggregate amount under the Master Sale and Purchase Agreement for the financial years ending 31 December 2019 and 31 December 2020 are set out as follows:

<b>Period</b>	<b>Proposed Annual Cap (HKD)</b>
For the financial year ending 31 December 2019	5,000,000
For the financial year ending 31 December 2020	5,000,000

In arriving at the annual caps as contemplated under the Master Sale and Purchase Agreement, the Directors had considered the historical quantities of Watches purchased by the Citychamp Group from the Group and the expected total quantities of Watches to be purchased by the Citychamp Group from the Group for the respective periods set out above. It is expected that there will be an increase in the orders to be placed by the Citychamp Group with the Group in each of the two financial years ending 31 December 2020, as compared to the previous financial years.

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

### **HISTORICAL TRANSACTION AMOUNTS**

The Group has been selling Watches in its ordinary and usual course of business to the Citychamp Group since 2012. The aggregate sales of Watches by the Group to the Citychamp Group for the following periods are as follows:

<b>Period</b>	<b>Sales amount (HKD) (approx.)</b>
Financial year ended 31 December 2016	3,224,000
Financial year ended 31 December 2017	3,113,000
Financial year ended 31 December 2018 ( <i>Note</i> )	3,409,000
1 January 2019 to the date of this announcement	2,724,000

*Note:* The sales amount of HKD3,409,000 comprises HKD2,337,000 for the period from 1 January 2018 to 17 September 2018 and HKD1,072,000 for the period from 18 September 2018 to 31 December 2018.

Members of the Citychamp Group have become connected persons of the Company since Citychamp, through its wholly-owned subsidiary, completed the acquisition of 58.22% of the issued share capital of the Company on 18 September 2018. Transactions between the Group and the Citychamp Group have thereafter become connected transactions of the Company under Chapter 14A of the Listing Rules.

The aggregate sales of Watches by the Group to the Citychamp Group during the period from 1 January 2019 to the date of this announcement amounted to approximately HKD2,724,000. The Company confirms that such amount had not exceeded 5% of the applicable percentage ratios calculated under the Listing Rules. The Company further confirms that the terms of the transactions carried out in the aforesaid period contained and were carried out on the same pricing basis as that set out in the Master Sale and Purchase Agreement.

## **INTERNAL CONTROL**

The Company has formulated internal control measures which regulate the terms (including pricing) and the implementation of continuing connected transactions. Under such internal control measures, the Group maintains price lists for its products which are prepared by the sales department of the Group with reference to the internal historical selling prices set by the Group and the prevailing market prices offered by other industry players from time to time. The price lists are updated by the sales department of the Group from time to time. The Group will monitor and review the prices of the relevant Watches supplied to the Citychamp Group regularly in order to ensure that the transactions under the Master Sale and Purchase Agreement are conducted on normal commercial terms and the prices are no less favourable to the Group than those available to independent third parties, and will report any irregularities to the senior management of the Group.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER SALE AND PURCHASE AGREEMENT**

Sale of Watches is within the ordinary course of business of the Group. The entering into of the Master Sale and Purchase Agreement can further reinforce the Company's strategy to better utilize Citychamp's established global distributorship network and increase the sales of Group's products, broadening source of revenue to the Company.

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

## **INFORMATION ABOUT THE PARTIES**

The Company acts as an investment company. The principal activities of the Company's subsidiaries are designing, manufacturing, marketing and selling of Swiss-made mechanical and quartz premium watches.

Citychamp is a substantial shareholder of the Company. Citychamp is investment holding and its subsidiaries are engaged in manufacturing and distribution of watches and timepieces, property investments, and banking and financial businesses.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Citychamp is a substantial shareholder of the Company, holding approximately 64.08% of the issued share capital of the Company, hence it is a connected person of the Company. The entering into of the Master Sale and Purchase Agreement between the Company and Citychamp will therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual cap under the Master Sale and Purchase Agreement is higher than 0.1% but less than 5% on an annual basis, the Master Sale and Purchase Agreement is subject to reporting, annual review and

announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

As at the date of this announcement, Mr. Shang Jianguang (“**Mr. Shang**”), the Chairman of the Board and Executive Director, is the Chief Executive Officer of Citychamp; and Mr. Teguh Halim (“**Mr. Halim**”), the Vice chairman of the Board and Executive Director, is Executive Director of Citychamp. Thus, both Mr. Shang and Mr. Halim are considered to have a material interest in the transactions contemplated under the Master Sale and Purchase Agreement. Accordingly, Mr. Shang and Mr. Halim had abstained from voting on the Board resolutions in connection with the continuing connected transaction under the Master Sale and Purchase Agreement and the proposed annual caps.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the other Directors has material interest in the transactions contemplated under the Master Sale and Purchase Agreement.

## **DEFINITIONS**

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

“associates”	has the same meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“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)
“Connected person”	has the same meaning ascribed thereto in the Listing Rules
“continuing connected transaction”	has the same meaning ascribed thereto in the Listing Rules
“Directors”	the directors of the Company
“Citychamp”	Citychamp Watch & Jewellery Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange (stock code: 256)
“Citychamp Group”	Citychamp and its associates (other than the Group)
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Master Sale and Purchase Agreement”	the Master Sale and Purchase Agreement entered into between Citychamp and the Company on 21 October 2019, particulars of which are set out in this announcement
“Shareholders”	holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the same meaning ascribed in the Listing Rules
“substantial shareholder”	has the same meaning ascribed in the Listing Rules
“Watches”	watches manufactured and/or supplied by the Group
“%”	per cent

By Order of the Board of  
**ERNEST BOREL HOLDINGS LIMITED**  
**Shang Jianguang**  
*Chairman*

Hong Kong, 21 October 2019

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

<i>Executive Directors:</i>	Mr. Shang Jianguang, Mr. Teguh Halim, Mr. Xiong Wei and Ms. Lam Lai
<i>Non-executive Directors:</i>	Mr. Xiong Ying and Mr. Tao Li
<i>Independent Non-executive Directors:</i>	Mr. To Chun Kei, Mr. Hui Cheuk Kit Frederick and Ms. Chan Lai Wa