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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
RENEWAL OF EXISTING MASTER PRODUCT AND
SERVICE FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 29 September 2020 in relation to, among others, the Existing Master Product and Service Framework Agreement entered into between the Company and Citychamp, a controlling shareholder of the Company.

As the Existing Master Product and Service Framework Agreement will expire on 31 December 2022 and the Company intends to continue carrying out the transactions thereunder in the ordinary and usual course of business with Citychamp after expiration of the Existing Master Product and Service Framework Agreement, on 9 December 2022, the Company and Citychamp entered into the Renewed Master Product and Service Framework Agreement pursuant to which (1) the Citychamp Group, may, from time to time, provide products and services to the Group, including (a) Watches and Components; and (b) Watch labor services; and (2) the Group may, from time to time, provide products and services to the Citychamp Group, including (a) Watches and Components; and (b) Watch labor services during the term of the Renewed Master Product and Service Framework Agreement.

As at the date of this announcement, Citychamp is a controlling shareholder of the Company, holding approximately 62.69% of the issued share capital of the Company, hence it is a connected person of the Company. The entering into of the Renewed Master Product and Service Framework Agreement and the transactions contemplated thereunder between the Group and Citychamp Group therefore constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the provision of products exceed(s) 5% and all of the proposed annual caps are less than HKD10,000,000, the provision of products under the Renewed Master Product and Service Framework Agreement is therefore subject to reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the provision of services exceed(s) 0.1% but all are less than 5% and all of the proposed annual caps are less than HKD3,000,000, the provision of services under the Renewed Master Product and Service Framework Agreement is de minimis transaction and is fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 29 September 2020 in relation to, among others, the Existing Master Product and Service Framework Agreement entered into between the Company and Citychamp, a controlling shareholder of the Company.

As the Existing Master Product and Service Framework Agreement will expire on 31 December 2022 and the Company intends to continue carrying out the transactions thereunder in the ordinary and usual course of business with Citychamp after expiration of the Existing Master Product and Service Framework Agreement, on 9 December 2022, the Company and Citychamp entered into the Renewed Master Product and Service Framework Agreement pursuant to which:

- (1) the Citychamp Group may, from time to time, provide products and services to the Group, including (a) Watches and Components; and (b) Watch labor services; and
- (2) the Group may, from time to time, provide products and services to the Citychamp Group, including (a) Watches and Components; and (b) Watch labor services;

during the term of the Renewed Master Product and Service Framework Agreement. The Renewed Master Product and Service Framework Agreement and the transactions contemplated thereunder constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

THE RENEWED MASTER PRODUCT AND SERVICE FRAMEWORK AGREEMENT

The principal terms of the Renewed Master Product and Service Framework Agreement are set out as follows:

- Date : 9 December 2022
- Parties : (1) The Company
(2) Citychamp
- Term : From 1 January 2023 to 31 December 2025, 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, provide products and services to the Group, including (a) Watches and Components; and (b) Watch labor services; and
(2) the Group may, from time to time, provide products and services to the Citychamp Group, including (a) Watches and Components; and (b) Watch labor services.

The Group and the Citychamp Group may, from time to time, enter into separate transactions by entering into separate agreements, and such agreements shall be subject to the general terms and conditions recorded in the Renewed Master Product and Service Framework Agreement.

The actual quantity of the products and amount of services to be purchased/provided by the Citychamp Group or the Group, the payment terms and the time and place of delivery/provision of the Watches and Components/Watch labor services concerned shall conform to the separate agreements to be entered into between the Citychamp Group and the Group.

PRICING POLICY

Under the Renewed Master Product and Service Framework Agreement, products and services may be acquired by the Citychamp Group from the Group or acquired by the Group from the Citychamp Group.

Products

The unit prices of the products purchased by the Citychamp Group from the Group shall be determined by reference to (and in any event no less favourable to) the prices in the price lists of the relevant products adopted by the Group from time to time and generally applicable to all Independent Third Parties on arm's length and normal commercial terms.

The unit prices of the products purchased by the Group from the Citychamp Group shall be determined by reference to the prices in the price lists of the relevant products adopted by the Citychamp Group from time to time and generally applicable to all Independent Third Parties on arm's length and normal commercial terms. The unit prices of the products purchased by the Group from the Citychamp Group shall be no less favourable to the prevailing market unit prices of comparable products of similar type and quality available to the Group from Independent Third Parties. In determining the prevailing market price, the Group will collect relevant market information and/or price quotations available to the Group by Independent Third Parties for comparable products of similar type and quality, and review and compare at least two price quotations obtained by the Group with the unit prices available to the Group under the Renewed Master Product and Service Framework Agreement.

Services

The fees of Watch labor services provided by the Group to the Citychamp Group is to be determined through negotiation between the Group and the Citychamp Group with reference to the Group's service fee lists for similar services provided to Independent Third Parties. The service fees of the Watch labor services shall be no less favourable to the service fees which would have been charged if similar services were to be provided to Independent Third Parties.

The fees of the Watch labor services provided by the Citychamp Group to the Group shall be no less favourable to the prevailing market rate of comparable services of similar type and quality available to the Group from Independent Third Parties. In determining the prevailing market rate, the Group will collect relevant market information and/or fee quotations offered to the Group by Independent Third Parties for comparable services of similar type and quality, and review and compare at least two price quotations obtained by the Group with the service fees available to the Group under the Renewed Master Product and Service Framework Agreement.

THE PROPOSED ANNUAL CAPS AND THE BASIS OF DETERMINATION

The proposed annual caps for the aggregate transaction amount under the Renewed Master Product and Service Framework Agreement for the financial years ending 31 December 2023, 31 December 2024 and 31 December 2025 respectively are set out as follows:

Period/financial years	Proposed Annual Caps (HKD)
<i>Products</i>	
For the financial year ending 31 December 2023	9,500,000
For the financial year ending 31 December 2024	9,500,000
For the financial year ending 31 December 2025	9,500,000
<i>Services</i>	
For the financial year ending 31 December 2023	500,000
For the financial year ending 31 December 2024	500,000
For the financial year ending 31 December 2025	500,000

In arriving at the annual caps as contemplated under the Renewed Master Product and Service Framework Agreement, the Directors had considered: (a) the historical quantities of Watches purchased by and amount of services provided by the Citychamp Group from/to the Group; and (b) the expected total quantities of products and amount of services to be purchased/provided by the Citychamp Group from/to the Group for the respective periods set out above.

It is expected that there will be an increase in the orders to be placed between the Citychamp Group and the Group in each of the financial years ending 31 December 2023, 31 December 2024 and 31 December 2025 respectively, 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 annual caps under the Existing Master Product and Service Framework Agreement and the aggregate historical transaction amount of sales and purchase of Watches and provision and acquisition of services by the Group to/from the Citychamp Group for the periods indicated are as follows:

Annual caps under the Existing Master Product and Service Framework Agreement

	From 29 September 2020 to 31 December 2020 (HKD)	Financial year ended 31 December 2021 (HKD)	Financial year ending 31 December 2022 (HKD)
Products	4,000,000	8,500,000	8,500,000
Services	500,000	1,000,000	1,000,000

Historical transaction amounts

	From 29 September 2020 to 31 December 2020 (HKD)	Financial year ended 31 December 2021 (HKD)	Ten months ended 31 October 2022 (HKD)
Products	2,069,000	7,891,000	7,887,000
Services	258,000	26,000	14,000

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/services which are prepared by the sales department of the Group with reference to the internal historical selling prices/fees set by the Group and the prevailing market prices/fees for comparable products and services of similar type and quality offered by other independent 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 products/services offered to or acquired from the Citychamp Group regularly in order to ensure that the transactions under the Renewed Master Product and Service Framework Agreement are conducted on normal commercial terms and the terms are no less favourable to the Group than those available to Independent Third Parties, and will report any irregularities to the senior management of the Group.

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

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

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

The Group is principally engaged in the designing, manufacturing, marketing and selling of Swiss-made mechanical and quartz premium watches. Sale/purchase of Watches and Components are within the ordinary course of business of the Group. The entering into of the Renewed Master Product and Service Framework 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 Renewed Master Product and Service Framework Agreement are entered into in the ordinary and usual course of business of the Group and arrived at after arm's length negotiations between the parties, are fair and reasonable and the transactions contemplated thereunder (and the proposed annual caps) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE PARTIES

The Company is an investment company. The principal activities of the Group are designing, manufacturing, marketing and selling of Swiss-made mechanical and quartz premium watches.

Citychamp is a controlling shareholder of the Company and is principally 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 controlling shareholder of the Company, holding approximately 62.69% of the issued share capital of the Company, hence it is a connected person of the Company. The entering into of the Renewed Master Product and Service Framework Agreement and the transactions contemplated thereunder between the Group and Citychamp Group will therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the provision of products exceed(s) 5% and all of the proposed annual caps are less than HKD10,000,000, the provision of products under the Renewed Master Product and Service Framework Agreement is therefore subject to reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the provision of services exceed(s) 0.1% but all are less than 5% and all of the proposed annual caps are less than HKD3,000,000, the provision of services under the Renewed Master Product and Service Framework Agreement is de minimis transaction and is fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of this announcement, Mr. Teguh Halim (“**Mr. Halim**”), the Chairman of the Board and an Executive Director, is also the executive director of Citychamp. Thus, Mr. Halim is considered to have a material interest in the transactions contemplated under the Renewed Master Product and Service Framework Agreement and he had abstained from voting on the Board resolutions approving the continuing connected transaction under the Renewed Master Product and Service Framework Agreement and the proposed annual caps.

DEFINITIONS

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

“associates”	has the same meaning ascribed in the Listing Rules
“Board”	the board of Directors
“Citychamp”	Citychamp Watch & Jewellery Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 256)
“Citychamp Group”	Citychamp and its associates (other than the Group)
“Company”	Ernest Borel Holdings Limited, a company incorporated under the laws of the Cayman Islands and whose shares are listed on the Main Board of the Stock Exchange (stock code: 1856)
“Components”	Watch components and movements
“connected person(s)”	has the same meaning ascribed in the Listing Rules
“continuing connected transaction”	has the same meaning ascribed in the Listing Rules
“controlling shareholder”	has the same meaning ascribed in the Listing Rules
“Directors”	the directors of the Company
“Existing Master Product and Service Framework Agreement”	the master product and service framework agreement entered into between Citychamp and the Company on 29 September 2020 as disclosed in the announcement of the Company dated 29 September 2020
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKD”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Third Parties”	persons or companies who or which are independent of and not connected (within the meaning of the Listing Rules) with the Citychamp Group and/or the Group, any of their connected persons or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Renewed Master Product and Service Framework Agreement”	the renewed master product and service framework agreement entered into between Citychamp and the Company on 9 December 2022, the 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
“Watches”	watches manufactured and/or supplied by the Group and/or the Citychamp Group to the other party
“Watch labor services”	assembly, quality check, and research and development of watches
“%”	per cent

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

Hong Kong, 9 December 2022

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

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

Non-executive Directors: Mr. Xiong Ying

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