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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)**

### **2022 ANNUAL RESULTS ANNOUNCEMENT**

#### **ANNUAL RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Ernest Borel Holdings Limited (the “**Company**” or “**Ernest Borel**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021.

#### **FINANCIAL AND OPERATION HIGHLIGHTS**

- Turnover for the financial year ended 31 December 2022 (“**FY2022**”) decreased from approximately HK\$149.3 million to approximately HK\$137.4 million when compared with the financial year ended 31 December 2021 (“**FY2021**”).
- Gross profit margin decreased from approximately 60.9% for FY2021 to approximately 54.7% for FY2022. Gross profit decreased from approximately HK\$90.8 million for FY2021 to approximately HK\$75.2 million for FY2022.
- Loss attributable to the owners of the Company for FY2022 was approximately HK\$12.1 million (FY2021: Loss of approximately HK\$31.8 million).
- Loss per share for FY2022 was approximately HK\$3.47 cents (FY2021: Loss per share was approximately HK\$9.16 cents).
- The Board has resolved not to recommend any payment of a final dividend for FY2022 (FY2021: Nil).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*FOR THE YEAR ENDED 31 DECEMBER 2022*

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	<b>137,368</b>	149,252
Cost of sales		<b>(62,214)</b>	(58,417)
Gross profit		<b>75,154</b>	90,835
Other gains and losses, net		<b>(1,300)</b>	1,516
Other income		<b>2,320</b>	121
Distribution expenses		<b>(45,634)</b>	(67,067)
Administrative expenses		<b>(31,379)</b>	(44,654)
Finance costs		<b>(11,282)</b>	(13,524)
Loss before tax	4	<b>(12,121)</b>	(32,773)
Income tax credit	5	<b>53</b>	950
Loss for the year attributable to owners of the Company		<b>(12,068)</b>	(31,823)
<b>Other comprehensive income</b>			
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
Remeasurement of net defined benefit obligations		<b>2,592</b>	281
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>4,543</b>	(7,527)
Other comprehensive income for the year		<b>7,135</b>	(7,246)
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>(4,933)</b>	(39,069)
<b>Loss per share</b>			
— Basic and diluted (Hong Kong cents)	7	<b>(3.47)</b>	(9.16)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 DECEMBER 2022*

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>23,093</b>	39,420
Rental deposits	8	<b>881</b>	881
		<u><b>23,974</b></u>	<u>40,301</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>322,277</b>	372,676
Trade and other receivables	8	<b>88,920</b>	46,821
Pledged bank deposits		<b>6,500</b>	–
Bank balances and cash		<b>6,274</b>	7,585
		<u><b>423,971</b></u>	<u>427,082</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	<b>33,689</b>	38,470
Tax payable		<b>1,493</b>	1,453
Lease liabilities		<b>4,935</b>	5,101
Amount due to a related party	10	<b>728</b>	1,590
Amounts due to fellow subsidiaries	10	<b>244,990</b>	248,444
Amounts due to directors	10	<b>3,503</b>	17,215
Bank and other borrowings		<b>29,390</b>	12,217
		<u><b>318,728</b></u>	<u>324,490</u>
<b>NET CURRENT ASSETS</b>		<u><b>105,243</b></u>	<u>102,592</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>129,217</b></u>	<u>142,893</u>

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<b>2,882</b>	8,436
Bank borrowings	<b>3,459</b>	3,490
Deferred tax liabilities	<b>14,119</b>	14,069
Pension obligations	<b>915</b>	4,123
	<u><b>21,375</b></u>	<u>30,118</u>
<b>NET ASSETS</b>	<u><b>107,842</b></u>	<u>112,775</u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	<b>3,474</b>	3,474
Reserves	<b>104,368</b>	109,301
<b>TOTAL EQUITY</b>	<u><b>107,842</b></u>	<u>112,775</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2022

### 1. GENERAL

Ernest Borel Holdings Limited (the “**Company**”) is an exempted company with limited liability incorporated in the Cayman Islands. The Company’s shares listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Company’s ultimate holding company is Citychamp Watch & Jewellery Group Limited, a limited liability company incorporated in the Cayman Islands with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company’s addresses of the registered office is Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and its principal place of business is Units 1612–18, Level 16, Tower I, Grand Century Place, 193 Prince Edward Road West, Mongkok, Kowloon, Hong Kong.

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in designing, manufacturing, marketing and selling of Swiss-made mechanical and quartz premium watches.

### 2. APPLICATION OF NEW OR AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

#### (a) Adoption of new or amended IFRSs — effective 1 January 2022

In the current year, the Group has applied the following new or amended IFRSs issued by the International Accounting Standards Board (“**IASB**”) which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2022:

Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standard 2018–2020
Amendments to IFRS 3	Reference to Conceptual Framework

The application of these new or amended IFRSs has no material impact on the Group’s results and financial position for the current or prior period.

**(b) New and amended IFRSs in issue but not yet effective**

The following new or amended IFRSs, potentially relevant to the Group's consolidated financial statements, have been issued but are not yet effective and have not been early adopted by the Group.

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendment to IAS 1	Classification of liabilities as Current or Non-Current <sup>2</sup>
Amendment to IAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to IFRS 16	Liability in a Sale and Leaseback <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

**3. REVENUE AND SEGMENT INFORMATION**

Revenue represents the amount received or receivable for the sale of watches, less returns and trade discounts, during the year. The revenue of the Group are recognised at point in time.

Information reported to the chief operating decision makers, being the executive directors of the Company, for resources allocation and performance assessment, is based on the Group's overall performance, which is considered as a single operating segment. Segment revenue, results, assets and liabilities are therefore the same as the respective amounts presented in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position. Entity-wide disclosures of segment information are set out below.

**Geographical information**

The following table set out information about the geographical location of (i) the Group's revenue from external customers based on the location of customers, and (ii) the Group's non-current assets (which exclude the non-current financial assets) based on the location of the assets.

	<b>Revenue from external customers</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The PRC	<b>131,795</b>	146,021
Hong Kong and Macau	<b>3,338</b>	1,890
Others (mainly in Southeast Asia and Europe)	<b>2,235</b>	1,341
	<b>137,368</b>	149,252

	<b>Non-current assets</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
The PRC	<b>8,592</b>	15,582
Hong Kong	<b>4,316</b>	6,591
Switzerland	<b>10,185</b>	17,247
	<u><b>23,093</b></u>	<u>39,420</u>

#### **Information about major customers**

There is no significant revenue that is more than 10% of the Group's revenue derived from specific external customers for the years ended 31 December 2022 and 2021.

#### **4. LOSS BEFORE TAX**

	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss before tax has been arrived at after charging/(crediting):		
Auditors' remuneration	<b>830</b>	780
Cost of inventories recognised as expenses, including:	<b>62,214</b>	58,417
— Reversal of allowance	<b>(4,433)</b>	(13,780)
Depreciation of property, plant and equipment	<b>11,723</b>	14,159
Short-term lease rental	<b>292</b>	757
Staff costs (including directors' emoluments):		
— Salaries and other benefits	<b>35,435</b>	50,523
— Retirement benefits scheme contributions	<b>3,991</b>	4,564
Total staff costs	<u><b>39,426</b></u>	<u>55,087</u>

*Note:* Cost of inventories sold includes HK\$8,647,000 (2021: HK\$9,660,000) relating to staff costs and depreciation expenses.

## 5. INCOME TAX CREDIT

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
Switzerland Income Tax	(221)	(183)
Over-provision in respect of prior years:		
Hong Kong Profits Tax	—	1,140
	<u>(221)</u>	<u>957</u>
Deferred tax credit/(charge)	<u>274</u>	<u>(7)</u>
Income tax credit for the year	<u><u>53</u></u>	<u><u>950</u></u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years. No provision for Hong Kong profits tax has been made for both years as the Group has no assessable profits arising in Hong Kong.

Switzerland Income Tax is calculated at certain tax rates on the assessable income for both years. Under the relevant Tax Laws in Switzerland, the Group's subsidiaries incorporated in Switzerland were subjected to Direct Federal Tax (“DFT”) of 8.5% (2021: 8.5%) and Cantonal Communal Tax (“CCT”) calculated at 10.13% (2021: 11.50%).

Swiss Federal withholding tax is levied at a rate of 35% on the distribution of the profit (if any) of the subsidiaries incorporated in Switzerland for both years.

Under the laws of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of EIT Law, the tax rate of PRC subsidiary is 25% (2021: 25%). No provision for Enterprise Income Tax has been made for both years as the Group has no assessable profits arising in the PRC.

## 6. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

## 7. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the year ended 31 December 2022 is based on the loss attributable to owners of the Company of HK\$12,068,000 (2021: HK\$31,823,000) and on the weighted average number of 347,437,000 (2021: 347,437,000) ordinary shares in issue during the year.

There are no potential dilutive ordinary shares outstanding for the year ended 31 December 2022 and 2021 and thus the diluted loss per share is the same as the basic loss per share.



## 8. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Non-current:</b>		
Rental deposits	<u>881</u>	<u>881</u>
<b>Current:</b>		
Trade receivables, gross	96,151	55,353
Less: impairment loss allowance	<u>(18,230)</u>	<u>(19,550)</u>
Trade receivables, net	<u>77,921</u>	<u>35,803</u>
Other receivables	2,875	2,072
Other tax recoverable	957	2,145
Prepayments	5,646	5,031
Deposits	<u>1,521</u>	<u>1,770</u>
	<u>10,999</u>	<u>11,018</u>
Total current trade and other receivables	<u>88,920</u>	<u>46,821</u>
Total trade and other receivables	<u><u>89,801</u></u>	<u><u>47,702</u></u>

Included in the trade receivables, amounts of HK\$2,977,000 (2021: HK\$2,496,000) are due from the fellow subsidiaries of the Company.

The Group allows a credit period ranging from 30 to 120 days to its trade customers. The following is an ageing analysis of trade receivables, net of impairment loss allowance, presented based on the invoice date which approximates the respective revenue recognition date:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–90 days	52,336	24,222
91–180 days	12,901	6,174
181–270 days	9,324	4,754
Over 270 days	<u>3,360</u>	<u>653</u>
	<u><u>77,921</u></u>	<u><u>35,803</u></u>

Before accepting any new customer, the Group assesses the potential customer's credit worthiness and defines credit limits for each customer. Limits attributed to customers are reviewed annually.

### Movement in the impairment loss allowance for trade receivables

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Balance at beginning of the year	19,550	18,608
Provision for impairment losses allowance recognised	428	1,377
Reversal of impairment losses allowance recognised	(677)	(1,201)
Exchange realignment	(1,071)	766
	<u>18,230</u>	<u>19,550</u>

Included in the impairment loss allowance as at 31 December 2022 are individually impaired trade receivables with an aggregate credit impaired balance of HK\$18,138,000 (2021: HK\$19,505,000) which has been fully impaired and expected credit loss allowance assessed on collective basis of HK\$92,000 (2021: HK\$45,000). The Group does not hold any collateral over these balances.

### 9. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	23,860	26,804
Other payables	2,529	1,556
Accruals	6,962	9,163
Contract liabilities arising from sales of goods	338	947
	<u>33,689</u>	<u>38,470</u>

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
1–30 days	1,541	9,355
31–60 days	1,791	7,514
Over 60 days	20,528	9,935
	<u>23,860</u>	<u>26,804</u>

The credit period for trade purchases ranges from 30 to 90 days.

## **10. AMOUNTS DUE TO A RELATED PARTY, FELLOW SUBSIDIARIES AND DIRECTORS**

As at 31 December 2022, an amount due to a related party of amount of RMB645,000 (equivalent to HK\$728,000) (2021: RMB1,300,000 (equivalent to HK\$1,590,000)) was unsecured, interest free and repayable on demand (2021: unsecured, interest bearing at 6% per annum and repayable within one year). The related party is a key management personnel of the Group.

As at 31 December 2022, amounts due to fellow subsidiaries of aggregate amount of RMB217,190,000 (equivalent to HK\$244,990,000) (2021: RMB203,126,000 (equivalent to HK\$248,444,000)) were unsecured, interest bearing at range from 5% to 6% (2021: 5% to 6%) per annum and repayable within one year.

As at 31 December 2022, amounts due to directors of aggregate amount of HK\$1,000,000 (2021: HK\$17,215,000) were unsecured, interest bearing at 5% (2021: 5%) per annum and repayable within one year and HK\$2,503,000 (2021: Nil) were unsecured, interest free and repayable on demand. Mr. Shang Jianguang was resigned as executive director with effect from 5 January 2022, the amount due to Mr. Shang Jianguang was reclassified as other borrowings since then.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

Established since 1856 in Switzerland, Ernest Borel has a proud heritage spanning 167 years. Throughout the course of its history and across its operations, the Group has upheld the principles of producing high precision “Swiss-made” products and implemented stringent quality controls. Under its own brand “Ernest Borel”, the Group is engaged in the design, production, marketing and sale of mechanical and quartz premium watches. As one of the oldest Swiss premium watchmakers, Ernest Borel has adopted the “dancing couple” as its icon, which embodies “romance and elegance”. Together with its distinctive market position, Ernest Borel has gained leadership among brands of watches for couples in Switzerland. The extensive distribution network of the Group covers retail markets in the PRC, Hong Kong, Macau and other markets. As at 31 December 2022, the Group has more than 817 POS.

Ernest Borel recorded a revenue of approximately HK\$137.4 million (2021: approximately HK\$149.3 million), representing a year-on-year decrease of approximately 8.0%, and gross profit and gross profit margin decreased to approximately HK\$75.2 million (2021: approximately HK\$90.8 million) and approximately 54.7% (2021: approximately 60.9%), respectively. Consequently, loss attributable to equity holders amounted to approximately HK\$12.1 million in FY2022 (2021: approximately HK\$31.8 million).

### **OVERVIEW**

In 2022, the watch industry faced unprecedented market challenges as many brick-and-mortar stores were forced to suspend or postpone their operations due to the impact of the epidemic that lasted for three years, resulting in a slump in customer traffic. In the face of the overall economic downturn and the weakening consumer sentiment and spending power, while ensuring the normal operation of the overall business, the Group reduced various operating costs by means of scaling down the workforce with optimised management structure, streamlining the workflow and strictly controlling the marketing expenses. The Group survived in adversity by adopting the above measures in a timely manner and maintained the normal operation of the business. The Group has been investing in the development of its e-commerce business by selling its proprietary and exclusive products on a number of mainstream online sales platforms such as Tmall, JD.com and vip.com. E-commerce sales are becoming one of the biggest contributors of the Group’s sales and are playing a very important role in stabilising the Group’s results. The worst effects of the epidemic appear to be behind us, with strong pent-up demand emerging from previously restricted activities and spending. The economic recovery is expected to boost incomes that help to improve the outlook of retail market.

## The PRC Market

The PRC remains the core market of the Group. As at 31 December 2022, the Group had around 660 POS in the country. Revenue from the PRC segment decreased by approximately 9.7% from approximately HK\$146.0 million for FY2021 to approximately HK\$131.8 million for FY2022, which accounted for approximately 96.0% of total revenue.

## Hong Kong and Macau Markets

As at 31 December 2022, the Group had around 44 POS in Hong Kong and Macau markets. Revenue in these markets increased by approximately 76.6% from approximately HK\$1.9 million for FY2021 to approximately HK\$3.3 million for FY2022, which accounted for approximately 2.4% of total revenue.

## Other markets

As at 31 December 2022, the Group had 113 POS in the other markets, mainly in Southeast Asia and Europe. Revenue in these markets increased by approximately 66.7% from approximately HK\$1.3 million for FY2021 to approximately HK\$2.2 million for FY2022, which accounted for approximately 1.6% of total revenue.

## FINANCIAL REVIEW

### Revenue and segment information

Our revenue decreased by approximately HK\$11.9 million, or approximately 8.0% from approximately HK\$149.3 million for FY2021 to approximately HK\$137.4 million for FY2022.

### Performance by geographical locations

	<b>2022</b>	2021	Changes	
	<b>HK\$'000</b>	HK\$'000	HK\$'000	%
The PRC market	<b>131,795</b>	146,021	(14,226)	(9.7)
Hong Kong and Macau markets	<b>3,338</b>	1,890	1,448	76.6
Other markets mainly in Southeast Asia and Europe	<b>2,235</b>	1,341	894	66.7
Total	<b><u>137,368</u></b>	<u>149,252</u>	<u>(11,884)</u>	<u>(8.0)</u>

### *The PRC market*

The PRC continues to be our major market, representing approximately 96.0% of our total revenue for FY2022. Revenue in this region decreased by approximately 9.7% from approximately HK\$146.0 million for FY2021 to approximately HK\$131.8 million for FY2022.

### *Hong Kong and Macau markets*

Hong Kong and Macau markets accounted for approximately 2.4% of our total revenue for FY2022. Revenue in these markets increased by approximately 76.6% from approximately HK\$1.9 million for FY2021 to approximately HK\$3.3 million for FY2022.

### *Other markets*

Revenue from other markets, mainly in Southeast Asia and Europe, accounted for approximately 1.6% of our total revenue for FY2022. Revenue in these markets increased by approximately 66.7% from approximately HK\$1.3 million for FY2021 to approximately HK\$2.2 million for FY2022.

### **Cost of sales**

Cost of sales increased by approximately 6.5% from approximately HK\$58.4 million for FY2021 to approximately HK\$62.2 million for FY2022.

### **Gross profit**

Our gross profit decreased by approximately HK\$15.6 million or approximately 17.3% from approximately HK\$90.8 million for FY2021 to approximately HK\$75.2 million for FY2022, while the gross profit margin decreased from approximately 60.9% for FY2021 to approximately 54.7% for FY2022.

### **Other gains and losses, net**

Our gains decreased by HK\$2.8 million from net gains of approximately HK\$1.5 million for FY2021 to net losses of approximately HK\$1.3 million for FY2022.

### **Distribution expenses**

Our distribution expenses decreased by approximately HK\$21.5 million or approximately 32.0% from approximately HK\$67.1 million for FY2021 to approximately HK\$45.6 million for FY2022.

## **Administrative expenses**

Our administrative expenses decreased by approximately HK\$13.3 million or approximately 29.7% from approximately HK\$44.7 million for FY2021 to approximately HK\$31.4 million for FY2022.

## **Finance costs**

Our finance costs decreased by approximately HK\$2.2 million or approximately 16.6% from approximately HK\$13.5 million for FY2021 to approximately HK\$11.3 million for FY2022.

## **Loss attributable to owners of the Company**

We recorded a loss of approximately HK\$12.1 million for FY2022 as compared to loss of approximately HK\$31.8 million for FY2021.

## **Inventories**

Inventories amounted to approximately HK\$322.3 million as at 31 December 2022, which represented a decrease of approximately HK\$50.4 million from approximately HK\$372.7 million as at 31 December 2021.

## **Trade and other receivables and payables**

The Group's trade and other receivables amounted to approximately HK\$89.8 million as at 31 December 2022, which represented an increase of approximately HK\$42.1 million from approximately HK\$47.7 million as at 31 December 2021.

The Group's trade and other payables amounted to approximately HK\$33.7 million as at 31 December 2022, which represented a decrease of approximately HK\$4.8 million from approximately HK\$38.5 million as at 31 December 2021.

## **Liquidity, financial resources and capital structure**

As at 31 December 2022, the Group had pledged bank deposits of approximately HK\$6.5 million (2021: Nil) and non-pledged cash and bank balances of approximately HK\$6.3 million (2021: approximately HK\$7.6 million). As at 31 December 2022, the Group had bank and other borrowings of approximately HK\$282.1 million (2021: approximately HK\$283.0 million), of which approximately HK\$3.9 million (2021: approximately HK\$4.3 million) were secured and interest-free; of which approximately HK\$13.0 million (2021: approximately HK\$11.4 million) were secured and carried with variable interest bearings ranged from 6.97% to 8.88% (2021: 3.04% to 5.24%) per annum; of which approximately HK\$3.4 million (2021: Nil) were unsecured and interest free; and of which approximately HK\$261.8 million (2021: approximately HK\$267.3 million) were unsecured and carried with fixed interest bearings ranged from 5% to 6% (2021: 5% to 6%) per annum. As at 31 December 2022, part of the bank and other borrowings amounted to approximately HK\$3.5 million was repayable over one year and the remaining balance amounted to approximately HK\$278.6 million was repayable within one year.

As at 31 December 2022, the Group's gearing ratio was approximately 261.6% (2021: approximately 250.9%). This was calculated by dividing the bank and other borrowings (including bank and other borrowings, amount due to a related party, amounts due to fellow subsidiaries and amounts due to directors) by total equity attributable to owners of the Company as at 31 December 2022.

The Group has adopted a prudent financial and surplus funds management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2022. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the sufficient financial resources are available in order to meet its funding requirements and commitment timely.

### **Foreign exchange exposure**

Certain members of our Group have foreign currency sales, which expose us to foreign currency exchange fluctuation risk. In addition, certain amounts of our trade receivables, other receivables and deposits, bank balances, other payables and accrued expenses, bank borrowings and our intra-group balances were denominated in foreign currencies.

We monitor foreign exchange trends and shall consider hedging significant foreign currency exposure should the need arise.

### **Charge on assets**

As at 31 December 2022, bank deposits of approximately HK\$6.5 million (2021: Nil) were pledged to secure the short term banking facilities granted to the Group.

### **Material acquisition and disposal of subsidiaries or associated companies**

No material acquisition or disposal of any subsidiaries or associated companies was made during FY2022.

### **Future plan for material investment and capital assets**

The Group does not have any plan authorised by the Board for material investments or additions of capital assets as at the date of this announcement.

### **Significant investments held**

During FY2022, no significant investments were held by the Group.

### **Contingent liabilities**

As at 31 December 2022, the Group did not have any contingent liabilities.



## **Employees and remuneration policies**

As at 31 December 2022, the Group had a total of 146 full-time employees, which represented a decrease of approximately 16.6% compared to 175 employees as at 31 December 2021. Total staff costs for FY2022 decreased to approximately HK\$39.4 million from approximately HK\$55.1 million for FY2021.

All of our full-time employees are paid a fixed salary and may be granted other allowances, based on their positions. Members of the sales staff are also eligible for commissions based on their ability to meet sales targets. In addition, year-end bonuses may also be awarded to the employees at our discretion and based on employees' performance. Yearly performance appraisals are conducted to ensure that the employees receive feedback on their performance. Our Company has adopted a share option scheme (the "**Share Option Scheme**") on 24 June 2014, which became effective on 11 July 2014 and will expire on 24 June 2024. No option has been granted under the Share Option Scheme during FY2022.

The Group provides training to its employees on a regular basis to keep them abreast of their knowledge in the Group's products, technology developments and market conditions of its industry. In addition, the Group's senior management also participates in conferences and exhibitions to deepen their knowledge in the industry.

## **Capital commitments**

There was no capital commitments as at 31 December 2022 (2021: Nil).

## **EVENTS AFTER THE REPORTING PERIOD**

On 21 November 2022, the Company and vendor entered into the agreement (the "**Agreement**"), pursuant to which the Company conditionally agreed to acquire, and the vendor conditionally agreed to sell, the sale shares (representing the entire issued share capital of the Target Company) at the consideration in accordance with the terms and conditions of the Agreement. The consideration of HK\$140,000,000 shall be satisfied as to (i) HK\$100,000,000 by way of the allotment and issue of the consideration shares to the vendor; and (ii) HK\$40,000,000 in cash, subject to the satisfaction of the profit guarantee. Details of the transaction are set out in the Company's announcement dated 21 November 2022 and the Company's circular dated 13 March 2023.

The Agreement (as amended and supplemented by the supplemental agreement dated 8 December 2022) and the transactions contemplated thereunder has been approved by the shareholders (other than Citychamp and its associated) at the extraordinary general meeting of the Company held on 29 March 2023.

Save as disclosed above, the Group had no significant events after the reporting period which needs to be disclosed.

## **PROSPECTS**

With the slowdown in global economic growth, the order in the watch industry is underway to rebuild. Looking ahead, there is coexistence of challenges and opportunities, hopes and difficulties. The Group believes that the performance of the Group will be bottomed out with its firm determination and good preparation. The Group was able to achieve a sales performance of HK\$137 million amid the extremely difficult situation in the past year. Despite the unsatisfactory performance, the Group made timely adjustments to its strategies after review and reflection, and is confident of its development in the coming year.

### **Products**

The Group always insists on making high-quality “Swiss-made” watches. During the year under review, the market responded positively to the new product collection launched by the Group. The success rate of a product is closely related to factors such as product design, marketing and promotion and cost-performance ratio, etc., and this process is not merely determined by product design. With the fundamental system supported by product system and channel system, coupled with the matrix of marketing, promotion and brand publicity, an integrated system for gaining market share can be supported. In 2023, the Group will focus more on current fashion and industry trends, and integrate product design with current popular styles, elements and colours. On the basis of maintaining the advantages of original brand style, we move with the times and strive to evolve into a younger and more fashionable brand. We gain insight into the new preferences and new trends of the new generation of consumers, and highly integrate popular elements and latest trendy elements with our brand image to achieve a breakthrough in traditional image and a continuation of brand vitality. The R&D and design cycle will be shortened to ensure the timeliness of product development.

### **Brand Promotion**

The Group continues to promote and enhance the reputation of “Ernest Borel” brand through various marketing tactics. Ms. Zhang Xingyu, the brand ambassador of Ernest Borel, whose romantic, elegant, and fashionable young style perfectly echoes the Company’s romantic image, together with our combined online and offline marketing model, have enhanced the promotion of our e-commerce and social platform and brought very positive effects to the brand of “Ernest Borel”. During the year under review, as a result of the market downturn, the overall marketing expenses were significantly reduced and investment was prudent. The Group tried to invite KOLs to conduct a marketing project via offline store visits to enhance brand awareness online and reputation in the market. Sales were boosted by customised Starbucks gift card promotions in the Company’s self-operated shops. At the same time, the Group shot a couple’s watch commercial with Chinese figure skating team ice dancers Ms. Wang Shiyue and Mr. Liu Xinyu and collaborated with Phoenix Television anchor Mr. Tian Tong on the Brand ambassador project.

In the coming year, the Group places great emphasis on the importance of marketing. The Group will continue to broaden its thinking and closely integrate traditional ideas with popular concepts; appropriately improve the mode of marketing activities to enhance the impact of marketing; make full use of marketing resources to increase brand exposure; focus on the effect of investment and output, and plan effective marketing projects that are relevant to the market. By integrating resources from offline and online platforms, the Group can bring customers from e-commerce to offline stores through conducting new product online launch and brand-new product sections on e-commerce platforms.

## **Distribution Channel**

### *POS sales*

The Group will seize the opportunity of the current realignment in the watch industry, expand our business mindset, jump out of the traditional sales concept and actively attempt to seek for more new cooperation opportunities. Meanwhile, the Group will upgrade marketing and promotion, capture market share, pay attention to the effect of input and output, strive for the effectiveness of promotion to attract consumers' attention and guide consumption. The Group will make greater use of the advertising image of the brand ambassador, Ms. Zhang Xingyu, to formulate some effective promotion projects that are in line with the market. In the future, we will actively explore tier-3 and tier-4 cities with large consumer pool and higher potential and customize different sales strategies for various regions and customers in order to secure more cooperation opportunities.

### *Online e-commerce sales*

We strived to achieve steady increase for the sales performance of e-commerce, and improved operational capabilities and profitability of various e-commerce platforms, and actively communicated with the platforms and secured more supportive resources. Apart from stabilizing the three major traditional e-commerce platforms, namely Tmall, JD.com and VIPs, we expanded into other types of sale channels. In addition, the Group integrated e-commerce and livestreaming, performed full upgrade of traditional e-commerce, adopted the “new retail + livestreaming” model, cultivated brand live streamers and stimulated the potential of consumer market. We coordinated the overall product structure of e-commerce system and enhanced the sales success rate of e-commerce exclusive products. We explored cross-industry brand collaboration projects, implemented various marketing models by mixing and matching with trendy accessories, expanded the boundaries of the brand's consumer market and secured sales business growth point.

## **Operation**

After a prolonged market downturn, the Group has been able to significantly reduce production and operating costs while ensuring the smooth running of our business. In the coming year, the gradual recovery of the economy is an inevitable trend and market opportunities is sure to lead to a rebound in the sales business, but we will also continue to remain vigilant in our efforts to control costs to save unnecessary operating costs. The reduction in operating costs has not only significantly lowered the Company's breakeven point, but has also strengthened the Company's ability to withstand various risks, as well as provided the Group with more opportunities to reduce its burden for future development.

## **Conclusion**

After the epidemic, the watch industry will usher in a new development cycle with rebound and recovery of the global economy, especially the Chinese economy. In the past, the Group has laid a solid foundation in the watch segment through its long-term resources investment, brand building and channel construction, providing the Company with a steady momentum for organic growth during the overall downturn of the watch industry. In the future, the Group will promote the optimisation and upgrading of the enterprise through a series of adjustment measures, further explore the potential of the branded consumer market, and activate consumer momentum, creating a new landscape of integrated online and offline development. Facing the new journey ahead, the Group will work together to write a new chapter of our own.

## **REVIEW OF ANNUAL RESULTS**

The Company has established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and code provision C.3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the “**CG Code**”, version up to 31 December 2022) for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members, namely Mr. To Chun Kei (who is also the chairman of the Audit Committee), Mr. Hui Cheuk Kit Frederick and Ms. Chan Lai Wa, all being Independent Non-executive Directors (the “**INEDs**”) of the Company.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the Group's audited results for FY2022 with the Company's management. The Audit Committee has also met and discussed with the Group's independent auditors, BDO Limited, regarding the Group's audit, internal control system and financial reporting matters.

## **COMPLIANCE WITH CG CODE**

The Board is committed to maintaining a high standard of corporate governance practices to safeguard the interests of the Company and its shareholders and to enhance corporate value and accountability. The Company has complied with all the code provisions as set out in the CG Code throughout the Year.

## **MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS OF LISTED ISSUERS (“MODEL CODE”)**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in the securities of the Company by the Directors. Following specific enquiries made by the Company on the Directors, all Directors have confirmed that they had fully complied with the required standards set out in the Model Code during FY2022.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the year ended 31 December 2022, the Company did not redeem any of its shares listed and traded on The Stock Exchange of Hong Kong Limited nor did the Company or any of its subsidiaries purchase or sell any of such shares.

## **FINAL DIVIDEND**

The Board has resolved not to recommend the payment of a final dividend for FY2022 (2021: Nil).

## **ANNUAL GENERAL MEETING (“AGM”)**

The AGM will be held in Hong Kong on 2 June 2023. Notice of the AGM will be issued and disseminated to the Company’s shareholders in due course.

## **BOOK CLOSURE**

In order to determine the shareholders’ entitlement to attend and vote at the AGM, the transfer books and register of members of the Company will be closed from Tuesday, 30 May 2023 to Friday, 2 June 2023 (both days inclusive, during which period no transfer of Share(s) will be effected). In order to be eligible to attend and vote at the forthcoming AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration, not later than 4:30 p.m. on Monday, 29 May 2023.

## **SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is available for viewing on the respective websites of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.ernestborel.ch](http://www.ernestborel.ch). The annual report of the Company for FY2022 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders and published on the respective websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

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

Hong Kong, 30 March 2023

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

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

*Non-executive Director:* Mr. Xiong Ying

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