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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)

2023 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 2023, together with the comparative figures for the year ended 31 December 2022.

FINANCIAL AND OPERATION HIGHLIGHTS

- Turnover for the financial year ended 31 December 2023 (“**FY2023**”) increased from approximately HK\$137.4 million to approximately HK\$165.0 million when compared with the financial year ended 31 December 2022 (“**FY2022**”).
- Gross profit margin from approximately 54.7% for FY2022 to approximately 52.8% for FY2023. Gross profit from approximately HK\$75.2 million for FY2022 to approximately HK\$87.1 million for FY2023.
- Profit attributable to the owners of the Company for FY2023 was approximately HK\$18.9 million (FY2022: Loss of approximately HK\$12.1 million).
- Earnings per share for FY2023 was approximately HK\$5.30 cents (FY2022: Loss per share was approximately HK\$3.47 cents).
- The Board has resolved not to recommend any payment of a final dividend for FY2023 (FY2022: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Revenue	3	164,994	137,368
Cost of sales		(77,932)	(62,214)
Gross profit		87,062	75,154
Other gains and losses, net	4	44,230	(1,300)
Other income		2,116	2,320
Distribution expenses		(56,203)	(45,634)
Administrative expenses		(50,427)	(31,379)
Finance costs		(9,295)	(11,282)
Profit/(loss) before tax	5	17,483	(12,121)
Income tax credit	6	1,388	53
Profit/(loss) for the year attributable to owners of the Company		18,871	(12,068)
Other comprehensive income			
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
Remeasurement of net defined benefit obligations		1,858	2,592
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		8,452	4,543
Other comprehensive income for the year		10,310	7,135
Total comprehensive income for the year attributable to owners of the Company		29,181	(4,933)
Earnings/(loss) per share			
– Basic and diluted (Hong Kong cents)	8	5.30	(3.47)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		57,111	23,093
Life insurance policy		1,411	–
Rental deposits	<i>9</i>	1,485	881
Goodwill	<i>10</i>	27,934	–
Intangible assets		59,391	–
Deferred tax assets		7,362	–
		<hr/> 154,694 <hr/>	<hr/> 23,974 <hr/>
CURRENT ASSETS			
Inventories		324,784	322,277
Trade and other receivables	<i>9</i>	133,205	88,920
Financial assets at fair value through profit or loss	<i>11</i>	32,410	–
Pledged bank deposits		5,000	6,500
Bank balances and cash		5,911	6,274
		<hr/> 501,310 <hr/>	<hr/> 423,971 <hr/>
CURRENT LIABILITIES			
Trade and other payables	<i>12</i>	67,247	33,689
Tax payable		1,468	1,493
Lease liabilities		7,625	4,935
Amounts due to related parties	<i>13</i>	13,555	728
Amounts due to fellow subsidiaries	<i>13</i>	266,599	244,990
Amount due to a director	<i>13</i>	2,424	3,503
Amount due to an ultimate holding company	<i>13</i>	3,400	–
Bank and other borrowings		30,925	29,390
		<hr/> 393,243 <hr/>	<hr/> 318,728 <hr/>
NET CURRENT ASSETS		<hr/> 108,067 <hr/>	<hr/> 105,243 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 262,761 <hr/>	<hr/> 129,217 <hr/>

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		15,443	2,882
Bank borrowings		2,314	3,459
Deferred tax liabilities		30,374	14,119
Pension obligations		1,933	915
Financial liabilities at fair value through profit or loss	<i>11</i>	44,905	–
		<u>94,969</u>	<u>21,375</u>
NET ASSETS		<u>167,792</u>	<u>107,842</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		3,603	3,474
Reserves		164,189	104,368
TOTAL EQUITY		<u>167,792</u>	<u>107,842</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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 (“**Citychamp**”), 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.

During the year, the principal activities of the Company is investment holding and its subsidiaries (together referred to as the “**Group**”) include:

- designing, manufacturing, marketing and selling of Swiss-made mechanical and quartz premium watches; and
- designing, development and manufacturing of stainless-steel alloy watches cases, smartwatches cases on ODM or OEM basis.

The Group has completed the acquisition of 100% equity interests of Gold Vantage Industrial Limited and its subsidiaries (“**Gold Vantage Group**”) on 19 April 2023. Details of the acquisition are set out in note 14.

Other than the aforementioned transaction, there was no significant change in the Group’s operation during the year.

The Company’s addresses of the registered office is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and its principal place of business is Units 1612-1613 & 1615, Level 16, Tower I, Grand Century Place, 193 Prince Edward Road West, Mongkok, Kowloon, Hong Kong.

2. APPLICATION OF NEW OR AMENDMENTS TO IFRS ACCOUNTING STANDARDS (“**IFRS Accounting Standards**”)

(a) Adoption of new or amendments to IFRS accounting standards – effective 1 January 2023

In the current year, the Group has applied the following new or amendments to IFRS Accounting Standards 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 2023:

IFRS 17	Insurance contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

The application of these new or amendments to IFRS Accounting Standards has no material impact on the Group’s results and financial position for the current or prior period. The Group has revisited the accounting policy information it has been disclosing and removed certain immaterial accounting policies.

New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In July 2023, the HKICPA published Accounting implications of the abolition of the mandatory provident fund (“MPF”)-long service payment (“LSP”) offsetting mechanism in Hong Kong that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. The cessation of applying the practical expedient in paragraph 93(b) of HKAS 19, Employee Benefits, in conjunction with the enactment of the Amendment Ordinance resulted in a catch-up profit or loss adjustment in January 2023 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the year ended 31 December 2023, with the corresponding adjustment to the comparative carrying amount of the LSP liability. However, since the amount of the catch-up profit or loss adjustment was immaterial, the Group did not restate the comparative figure for the consolidated financial statements.

(b) New and amendments to IFRS Accounting Standards in issue but not yet effective

The following new or amendments to IFRS Accounting Standards, 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	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1	Non-current Liabilities with Covenants ¹
Amendments to IFRS 16	Liability in a Sale and Leaseback ¹
Amendments to IAS 21	Lack of Exchangeability ²
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ Effective for annual periods beginning on or after a date to be determined

The Group is in the progress of making assessments of the potential impact of these new or amendments to IFRS Accounting Standards upon initial application

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received or receivable for the sales of watches products and smart watches components, less returns and trade discounts. The revenues of the Group are recognised at point in time.

The Group’s principal activities were manufacturing and sales of watches. During the year ended 31 December 2023, the Group expanded its business into the Smart Watch Manufacturing business. 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 are considered as two operating segments. Segment revenue and results are therefore not 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.

The Group’s operating businesses are structured and managed separately according to the nature of the operations. Each of the Group’s reportable operating segments represents a strategic business unit that is subject to risks and returns that are different from other reportable operating segment.

The Group's reportable and operating segments are as follows:

- Watches business segment: manufacturing and sales of watches; and
- Smart Watch Manufacturing business segment: designing, development and manufacturing of stainless-steel alloy watches cases, smartwatches cases on ODM and OEM basis.

Segment revenue and results

For the year ended 31 December 2023

	Watches <i>HK\$'000</i>	Smart Watch Manufacturing <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Revenue	<u>111,983</u>	<u>53,011</u>	–	<u>164,994</u>
Segment results	(18,048)	52,085	–	34,037
Unallocated corporate incomes and expenses, net	–	–	(7,259)	(7,259)
Finance cost	<u>(7,720)</u>	<u>(675)</u>	<u>(900)</u>	<u>(9,295)</u>
(Loss)/profit before income tax	(25,768)	51,410	(8,159)	17,483
Income tax (expense)/credit	<u>(640)</u>	<u>2,028</u>	–	<u>1,388</u>
(Loss)/profit after income tax	<u>(26,408)</u>	<u>53,438</u>	<u>(8,159)</u>	<u>18,871</u>
Segment assets				
Watches				453,787
Smart Watch Manufacturing				202,155
Unallocated assets				
– Bank balances and cash				<u>62</u>
Total assets				<u><u>656,004</u></u>
Segment liabilities				
Watches				337,721
Smart Watch Manufacturing				125,047
Unallocated liabilities				<u>25,444</u>
Total liabilities				<u><u>488,212</u></u>
Other segment information				
Interest income	94	90	–	184
Provision for impairment loss of trade receivables, net	(6,816)	(10)	–	(6,826)
Reversal of inventories allowance	38	–	–	38
Impairment loss on goodwill	–	(13,389)	–	(13,389)
Fair value gain from financial assets/ financial liabilities at fair value through profit or loss	–	65,192	–	65,192
Depreciation and amortisation	(9,470)	(14,770)	–	(24,240)
Additions to non-current assets	<u>2,694</u>	<u>611</u>	–	<u>3,305</u>

For the year ended 31 December 2022

	Watches HK\$'000	Smart Watch Manufacturing HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment revenue				
Revenue	137,368	–	–	137,368
Segment results				
Unallocated corporate incomes and expenses, net	4,544	–	–	4,544
Finance cost	–	–	(5,383)	(5,383)
	(10,410)	–	(872)	(11,282)
Loss before income tax	(5,866)	–	(6,255)	(12,121)
Income tax credit	53	–	–	53
Loss after income tax	(5,813)	–	(6,255)	(12,068)
Segment assets				
Watches				447,716
Unallocated assets – Bank balances and cash				229
Total assets				447,945
Segment liabilities				
Watches				321,948
Unallocated liabilities				18,155
Total liabilities				340,103
Other segment information				
Interest income	6	–	–	6
Reversal of impairment loss of trade receivables, net	249	–	–	249
Reversal of inventories allowance	4,433	–	–	4,433
Depreciation	11,723	–	–	11,723
Additions to non-current assets	2,486	–	–	2,486

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 excluding deferred tax assets and financial instruments) based on the location of the assets.

	Revenue from external customers	
	2023 HK\$'000	2022 HK\$'000
People's Republic of China (the "PRC")	131,849	131,795
Vietnam	18,351	–
Hong Kong and Macau	5,592	3,338
Korea	3,670	–
South East Asia	3,437	903
Others	2,095	1,332
	<u>164,994</u>	<u>137,368</u>

	Non-current assets (excluding deferred tax assets and financial instruments)	
	2023 HK\$'000	2022 HK\$'000
The PRC	132,560	8,592
Hong Kong	1,803	4,316
Switzerland	10,073	10,185
	<u>144,436</u>	<u>23,093</u>

Information about major customers

During the year, revenue from a customer amounted to HK\$16,708,000 was contributing over 10% of total revenue of the Group (2022: nil).

An analysis of revenue is as follows:

	2023 HK\$'000	2022 HK\$'000
Watches	111,983	137,368
Smart Watch Manufacturing	53,011	–
	<u>164,994</u>	<u>137,368</u>

4. OTHER GAINS AND LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Exchange gain/(loss), net	470	(1,670)
Loss on lease modification	–	(149)
Impairment loss on goodwill	(13,389)	–
(Provision for)/reversal of impairment loss of trade receivable, net	(6,826)	249
Fair value gain on financial asset/financial liabilities at fair value through profit or loss	65,192	–
Fair value change on life insurance policy	(157)	–
Loss on written off of property, plant and equipment	(1,093)	–
Gain on disposal of property, plant and equipment	33	270
	<u>44,230</u>	<u>(1,300)</u>

5. PROFIT/(LOSS) BEFORE TAX

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit/(loss) before tax has been arrived at after charging/(crediting):		
Auditors' remuneration	1,100	830
Cost of inventories recognised as expenses, including:	77,932	62,214
– Reversal of allowance	(38)	(4,433)
Depreciation of property, plant and equipment	15,782	11,723
Amortisation of intangible assets	8,458	–
Short-term lease rental	1,247	292
Staff costs (including directors' emoluments):		
– Salaries and other benefits	51,149	35,435
– Retirement benefits scheme contributions	5,892	3,991
	<u>57,040</u>	<u>39,426</u>

Note: Cost of inventories sold includes HK\$23,632,000 (2022: HK\$8,647,000) relating to staff costs and depreciation expenses.

6. INCOME TAX CREDIT

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax:		
Switzerland Income Tax	(231)	(221)
Deferred tax credit	<u>1,619</u>	<u>274</u>
Income tax credit for the year	<u><u>1,388</u></u>	<u><u>53</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 8.50% (2022: 8.50%) and Cantonal Communal Tax ("CCT") calculated at 7.20% (2022: 10.13%).

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% (2022: 25%). No provision for Enterprise Income Tax has been made for both years as the Group has no assessable profits arising in the PRC.

7. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

8. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted loss per share for the year ended 31 December 2023 is based on the profit attributable to owners of the Company of HK\$18,871,000 (2022: loss attributable to owners of the Company of HK\$12,068,000) and on the weighted average number of 356,148,000 (2022: 347,437,000) ordinary shares in issue during the year.

There are no potential dilutive ordinary shares outstanding for the years ended 31 December 2023 and 2022 and thus the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share.

9. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current:		
Rental deposits	<u>1,485</u>	<u>881</u>
Current:		
Trade receivables, gross	139,540	96,151
Less: impairment loss allowance	<u>(14,115)</u>	<u>(18,230)</u>
Trade receivables, net	<u>125,425</u>	<u>77,921</u>
Other receivables	3,020	2,875
Other tax recoverable	339	957
Prepayments	2,007	5,646
Deposits	<u>2,414</u>	<u>1,521</u>
	<u>7,780</u>	<u>10,999</u>
Total current trade and other receivables	<u>133,205</u>	<u>88,920</u>
Total trade and other receivables	<u><u>134,690</u></u>	<u><u>89,801</u></u>

Included in the trade and other receivables, amounts of HK\$12,853,000 (2022: HK\$2,977,000) are due from the fellow subsidiaries of the Company.

The Group allows a credit period ranging from 30 to 360 days (2022: 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–90 days	48,375	52,336
91–180 days	15,087	12,901
181–270 days	22,373	9,324
Over 270 days	<u>39,590</u>	<u>3,360</u>
	<u>125,425</u>	<u>77,921</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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Balance at beginning of the year	18,230	19,550
Provision for impairment losses allowance recognised	10,573	428
Reversal of impairment losses allowance recognised	(3,747)	(677)
Written off of impairment losses allowance recognised	(10,421)	–
Exchange realignment	(520)	(1,071)
	<u>14,115</u>	<u>18,230</u>
Balance at the end of the year	<u>14,115</u>	<u>18,230</u>

Included in the impairment loss allowance as at 31 December 2023 are individually impaired trade receivables with an aggregate credit impaired balance of HK\$12,167,000 (2022: HK\$18,138,000) which has been fully impaired and expected credit loss allowance assessed on collective basis of HK\$1,948,000 (2022: HK\$92,000). The Group does not hold any collateral over these balances.

10. GOODWILL

	<i>HK\$'000</i>
COST	
As at 1 January 2022, 31 December 2022 and 1 January 2023	–
Acquisition of subsidiaries (<i>note 14</i>)	42,178
Exchange realignment	(855)
	<u>41,323</u>
As at 31 December 2023	<u>41,323</u>
ACCUMULATED IMPAIRMENT LOSSES	
As at 1 January 2022, 31 December 2022 and 1 January 2023	–
Impairment loss	13,389
	<u>13,389</u>
As at 31 December 2023	<u>13,389</u>
CARRYING AMOUNTS	
As at 31 December 2023	<u>27,934</u>
As at 31 December 2022	<u>–</u>

For the purpose of impairment testing, goodwill has been allocated to a CGU, representing Gold Vantage CGU which were acquired by the Group during the year ended 31 December 2023, and being the Smart Watch Manufacturing segment.

For the year ended 31 December 2023, the recoverable amount of the Gold Vantage CGU is determined by the management of the Group with reference to a valuation report issued by an independent professional valuer. The recoverable amount of the Gold Vantage CGU has been determined from value-in-use calculation. The calculation used cash flow projections based on latest financial budgets approved by the management covering a period of five-year period, followed by an extrapolation of expected cash flow at zero growth rate which do not exceed the long-term growth rate for the business in which the Gold Vantage CGU operates and a pre-tax discount rate of 20.15%. Cash flow projections during the budget period are based on the expected gross margins during the budget period. Budgeted gross margins and growth rate have been determined based on past performance and the Group management's expectations for the market development and future performance of the Gold Vantage CGU. The discount rate used is pre-tax and reflect specific risks related to the Gold Vantage CGU. As a result, the recoverable amount is lower than the carrying amount of Gold Vantage CGU, the impairment loss of HK\$13,389,000 has been recognised in the other gains and losses during the year.

11. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Financial assets at fair value through profit or loss		
– 2023 Profit Compensation (as defined in note 14) (<i>note i</i>)	<u>32,410</u>	<u>–</u>
Financial liabilities at fair value through profit or loss		
– 2024 Profit Compensation (as defined in note 14) (<i>note ii</i>)	<u>26,592</u>	<u>–</u>
– 2025 Profit Compensation (as defined in note 14) (<i>note iii</i>)	<u>18,313</u>	<u>–</u>
Non-current portion	<u>44,905</u>	<u>–</u>

Notes:

- (i) The directors of the Company estimated that the audited profit after tax of Gold Vantage Group for the year ended 31 December 2023 would be less than HK\$30,000,000. The balance represented the fair value of the financial asset in relation to 2023 Profit Compensation. The fair value gain of HK\$44,000,000 has been recognised in the other gains and losses for the year ended 31 December 2023.
- (ii) For the year ending 31 December 2024, the directors of the Company estimated that Gold Vantage Group cannot be achieve the profit target based on a discounted cash flow forecast. The balance represented the fair value of the financial liabilities in relation to 2024 Profit Compensation. The fair value gain of HK\$8,871,000 has been recognised in the other gains and losses for the year ended 31 December 2023.
- (iii) For the year ending 31 December 2025, the directors of the Company estimated that Gold Vantage Group cannot be achieve the profit target based on a discounted cash flow forecast. The balance represented the fair value of the financial liabilities in relation to 2025 Profit Compensation. The fair value gain of HK\$12,321,000 has been recognised in the other gains and losses for the year ended 31 December 2023.
- (iv) Subsequent to the reporting date, regarding the settlement of 2023 Profit Compensation, the Company has agreed with Fair Future that the balance shall be set off by the followings:
 - a) HK\$5,270,000 advance from Fair Future during the year ended 31 December 2023 and included as other payable as at 31 December 2023;
 - b) HK\$10,000,000 advance from Fair Future in January 2024;
 - c) the outstanding cash consideration of the first installment of HK\$13,333,333.3 in relation to the acquisition as set out in note 14; and
 - d) the current account with a fellow subsidiary.

12. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	37,231	23,860
Other payables	18,517	2,529
Accruals	11,225	6,962
Contract liabilities arising from sales of goods	274	338
	<u>67,247</u>	<u>33,689</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
1–30 days	13,958	1,541
31–60 days	4,169	1,791
Over 60 days	19,104	20,528
	<u>37,231</u>	<u>23,860</u>

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

13. AMOUNTS DUE TO RELATED PARTIES, FELLOW SUBSIDIARIES, A DIRECTOR AND AN ULTIMATE HOLDING COMPANY

As at 31 December 2023, amounts due to related parties of HK\$2,500,000 were unsecured, interest bearing at 6% annum and repayable on demand and RMB6,814,000 (equivalent to HK\$7,478,000) and HK\$3,577,000 were unsecured, interest free and repayable on demand. The related parties included the spouse of the executive director of the Company and the associate companies of the ultimate holding company (2022: a related party of amount of RMB645,000 (equivalent HK\$728,000) was unsecured, interest-free and repayable on demand. The related party is a key management personnel of the Group).

As at 31 December 2023, amounts due to fellow subsidiaries of aggregate amount of RMB225,994,000 (equivalent to HK\$247,984,000) and HK\$18,615,000 (2022: RMB217,190,000 (equivalent to HK\$244,990,000)) were unsecured, interest bearing at ranging from 5% to 6% (2022: 5% to 6%) per annum and repayable within one year.

As at 31 December 2023, amount due to a director of aggregate amount of HK\$2,424,000 (2022: HK\$7,477,000) were unsecured, interest free and repayable on demand. As at 31 December 2022, amount due to a director of aggregate amount HK\$1,000,000 was unsecured, interest bearing at 5% per annum and repayable within one year.

As at 31 December 2023, amount due to an ultimate holding company of principal amount of HK\$3,400,000 (2022: Nil) was unsecured, interest free and repayable within one year.

14. ACQUISITION OF SUBSIDIARIES

Acquisition of Gold Vantage Group

On 19 April 2023, the Group completed the acquisition of the entire equity interest of Gold Vantage Industrial Limited (“**Gold Vantage**”), which together with its subsidiaries (collectively, the “**Gold Vantage Group**”) at the consideration of HK\$108,456,000 from Fair Future Industrial Limited (“**Fair Future**”), an associate of ultimate holding company. Gold Vantage Group are principally engaged in the business of design, development and manufacturing of stainless-steel alloy watches cases, smart watch cases on ODM or OEM basis.

Pursuant to the sales and purchase agreement, the consideration shall be settled by way of issuing 38,461,538 consideration shares and HK\$40,000,000 by cash in different timeslots from 2023 to 2026. The number of consideration shares and the amount of cash consideration for the settlement shall be subject to the adjustment pursuant to the profit guarantee, in which Fair Future guarantees to the Company that the net profit after tax of Gold Vantage Group for each of financial years ending 31 December 2023, 31 December 2024 and 31 December 2025 shall not be less than HK\$30,000,000 (the “**Profit Target**”). If there is any shortfall of the Profit Target in any such year, an amount equal to 1.5 times the amount by which the actual net profit after tax is less than the Profit Target (the “**Profit Compensation**”) shall be payable by the vendor to the Company. In the event that Gold Vantage Group recorded loss in its consolidated financial statements, Fair Future shall still compensate the Company 1.5 times of the difference between the net loss after tax and HK\$30,000,000.

The consideration shall be reduced by the amount of the Profit Compensation firstly by the reduction of the outstanding consideration shares for the instalment and then the balance of the Profit Compensation shall be reduced by the outstanding cash consideration for the instalment. If the unpaid instalment is not sufficient to set off the Profit Compensation, the difference between the Profit Compensation and the unpaid instalment shall be paid in cash by Fair Future to the Company within 30 business days after the issuance of the annual financial statements of Gold Vantage Group for the respective financial year.

The first instalment of 12,820,512 consideration shares has been issued to Fair Future at the completion date on 19 April 2023. The first instalment of cash consideration of HK\$13,333,333.3 shall be paid to Fair Future (i) on 1 April 2024 if the annual financial statements of Gold Vantage Group for the year ended 31 December 2023 has been issued on or before 31 March 2024 or (ii) within 30 business days after the issuance of annual financial statements of Gold Vantage Group for the year ended 31 December 2023 if the annual financial statements for the year ended 31 December 2023 is issued after 31 March 2024.

The second instalment of 12,820,513 consideration shares shall be issued to Fair Future (i) on 1 April 2025 if the annual financial statements of Gold Vantage Group for the year ending 31 December 2024 has been issued on or before 31 March 2025 or (ii) within 30 business days after the issuance of annual financial statements of Gold Vantage Group for the year ending 31 December 2024 if the annual financial statements for the year ending 31 December 2024 is issued after 31 March 2025. Payment for the second instalment of cash consideration of HK\$13,333,333.3 is subject to the net profit after tax for the six months ending 30 June 2024 attained by Gold Vantage Group (“**2024 H1 Profit**”):

- (i) If the 2024 H1 Profit is not less than HK\$14,000,000, an amount up to HK\$13,333,333.3 shall be paid to Fair Future on 1 September 2024.

- (ii) If the 2024 H1 Profit is HK\$12,000,000 or more but less than HK\$14,000,000, an amount of HK\$12,000,000.00 shall be paid to Fair Future on 1 September 2024. If the 2024 H1 Profit is HK\$10,000,000 or more but less than HK\$12,000,000, an amount of HK\$10,000,000.00 shall be paid to Fair Future on 1 September 2024. The respective shortfall between HK\$13,333,333.3 of the second instalment cash consideration and the amount of cash paid under the aforesaid scenarios shall be paid to Fair Future (i) on 1 April 2025 if the annual financial statements of Gold Vantage Group for the year ending 31 December 2024 has been issued on or before 31 March 2025; or (ii) within 30 business days after the issuance of the annual financial statements of Gold Vantage Group for the year ending 31 December 2024 if the annual financial statements for the year ending 31 December 2024 is issued after 31 March 2025.
- (iii) If the 2024 H1 Profit is less than HK\$10,000,000, an amount up to HK\$13,333,333.3 shall be paid to Fair Future (i) on 1 April 2025 if the annual financial statements of Gold Vantage Group for the year ending 31 December 2024 has been issued on or before 31 March 2025; or (ii) within 30 business days after the issuance of the annual financial statements of Gold Vantage Group for the year ending 31 December 2024 if the annual financial statements for the year ending 31 December 2024 is issued after 31 March 2025.

The third instalment of 12,820,513 consideration shares of shall be issued to Fair Future and the third instalment cash consideration of HK\$13,333,333.4 shall be paid to Fair Future (i) on 1 April 2026 if the Annual Financial Statements of Gold Vantage Group for the year ending 31 December 2025 has been issued on or before 31 March 2026 or (ii) within 30 business days after the issuance of annual financial statements of Gold Vantage Group for the year ending 31 December 2025 if the annual financial statements for the year ending 31 December 2025 is issued after 31 March 2026.

The consideration is determined as follows:

	<i>HK\$'000</i>
Issuance of first instalment consideration shares at the completion	30,769
Derivative financial liabilities in relation to 2023 Profit Compensation	11,590
Derivative financial liabilities in relation to 2024 Profit Compensation	35,463
Derivative financial liabilities in relation to 2025 Profit Compensation	30,634
	<hr/>
Total consideration	<u>108,456</u>

Details of the net assets acquired as at the acquisition date are as follows:

	<i>HK\$'000</i>
Total consideration	108,456
Less: Fair value of net assets acquired	<u>(66,278)</u>
Goodwill	<u>42,178</u>

The goodwill of HK\$42,178,000 arising from the acquisition is attributable to the growth and profit potential in the expansion of smart watches business. None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair values of the identifiable assets and liabilities arising from the acquisition of Gold Vantage Group as at the date of acquisition:

	Fair value <i>HK\$'000</i>
Property, plant and equipment	24,806
Intangible assets	69,211
Deferred tax assets	7,690
Inventories	7,679
Trade receivables	11,067
Prepayments, deposits and other receivables	2,755
Cash and cash equivalents	12,186
Deferred tax liabilities	(17,096)
Trade payables	(10,506)
Bank borrowings	(5,336)
Lease liabilities	(373)
Other payables and accruals	(35,805)
	<hr/>
Fair value of net assets acquired	<u>66,278</u>
	<i>HK\$'000</i>
Net cash inflow from acquisition of subsidiaries:	
Cash and cash equivalents in subsidiaries acquired	<u>12,186</u>

Gold Vantage Group contributed revenue of approximately HK\$53,011,000 and profit after tax of approximately HK\$7,929,000 to the Group from the date of acquisition to 31 December 2023.

Had the business combination taken place on 1 January 2023, revenue of the Group for the year ended 31 December 2023 would have been increase by approximately HK\$18,435,000 and net profit would have decreased by HK\$8,454,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition of Gold Vantage Group been completed on 1 January 2023 nor are they intended to be a projection of future results.

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 2023, the Group has more than 786 POS.

Ernest Borel recorded a revenue of approximately HK\$165.0 million (2022: approximately HK\$137.4 million), representing a year-on-year increase of approximately 20.1%, and gross profit and gross profit margin increased to approximately HK\$87.1 million (2022: approximately HK\$75.2 million) and approximately 15.8% (2022: approximately decreased 54.7%), respectively. Consequently, profit attributable to equity holders amounted to approximately HK\$17.5 million in FY2023 (2022: approximately loss HK\$12.1 million).

OVERVIEW

In 2023, China’s overall economic growth was slow down, the impact of Sino-US trade frictions and other macro factors, and the recovery momentum of consumption in the Chinese market was lower than expected. With the advancement of technology and the rise of smart watches, the traditional watch industry is facing several challenges. The company will strive to expand overseas markets and use online sales platforms to increase the exposure rate of traditional watches to stimulate sales. In addition, it actively develops the research and development of smart watch accessories, hoping to create higher profits for the company through the smart watch manufacturing business.

The PRC Market

The PRC remains the core market of the Group. As at 31 December 2023, the Group had around 633 POS in the country. Revenue from the PRC segment increased by approximately 0.04% from approximately HK\$131.8 million for FY2022 to approximately HK\$131.8 million for FY2023, which accounted for approximately 79.9% of total revenue.

Hong Kong and Macau Markets

As at 31 December 2023, the Group had around 37 POS in Hong Kong and Macau markets. Revenue in these markets increased by approximately 67.5% from approximately HK\$3.3 million for FY2022 to approximately HK\$5.6 million for FY2023, which accounted for approximately 3.4% of total revenue.

Other markets

As at 31 December 2023, the Group had 116 POS in the other markets, mainly in Europe. Revenue in this markets increased by approximately 57.3% from approximately HK\$1.3 million for FY2022 to approximately HK\$2.1 million for FY2023, which accounted for approximately 1.3% of total revenue.

The Group revenue from other Asia markets, mainly in Vietnam, Korea and other South East Asia. Revenue in these markets approximately HK\$25.5 million for FY2023, which accounted for approximately 15.4% of total revenue.

FINANCIAL REVIEW

Revenue and segment information

Our revenue increased by approximately HK\$27.6 million, or approximately 20.1% from approximately HK\$137.4 million for FY2022 to approximately HK\$165.0 million for FY2023.

Performance by geographical locations

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	Changes <i>HK\$'000</i>	%
The PRC	131,849	131,795	54	0.04
Vietnam	18,351	–	18,351	N/A
Hong Kong and Macau	5,592	3,338	2,254	67.5
Korea	3,670	–	3,670	N/A
South East Asia	3,437	903	2,534	73.7
Others	2,095	1,332	763	57.3
	<u>164,994</u>	<u>137,368</u>	<u>27,626</u>	<u>20.1</u>

The PRC market

The PRC continues to be our major market, representing approximately 79.9% of our total revenue for FY2023. Revenue in this region increased by approximately 0.04% from approximately HK\$131.8 million for FY2022 to approximately HK\$131.8 million for FY2023.

Hong Kong and Macau markets

Hong Kong and Macau markets accounted for approximately 3.4% of our total revenue for FY2023. Revenue in these markets increased by approximately 67.5% from approximately HK\$3.3 million for FY2022 to approximately HK\$5.6 million for FY2023.

Other markets

Revenue from other markets, mainly in Europe, accounted for approximately 1.3% of our total revenue for FY2023. Revenue in these markets increased by approximately 57.3% from approximately HK\$1.3 million for FY2022 to approximately HK\$2.1 million for FY2023.

Furthermore revenue from other Asia markets, mainly in Vietnam, Korea and other South East Asia. Revenue in these markets approximately HK\$25.5 million for FY2023, which accounted for approximately 15.4% of total revenue.

Cost of sales

Cost of sales increased by approximately 25.3% from approximately HK\$62.2 million for FY2022 to approximately HK\$77.9 million for FY2023.

Gross profit

Our gross profit increased by approximately HK\$11.9 million or approximately 15.8% from approximately HK\$75.2 million for FY2022 to approximately HK\$87.1 million for FY2023, the gross profit margin approximately 54.7% for FY2022 to approximately 52.8% for FY2023.

Other gains and losses, net

Our gains increased by HK\$45.5 million from net losses of approximately HK\$1.3 million for FY2022 to approximately HK\$44.2 million for FY2023.

Distribution expenses

Our distribution expenses increased by approximately HK\$10.6 million or approximately 23.2% from approximately HK\$45.6 million for FY2022 to approximately HK\$56.2 million for FY2023.

Administrative expenses

Our administrative expenses increased by approximately HK\$19.0 million or approximately 60.5% from approximately HK\$31.4 million for FY2022 to approximately HK\$50.4 million for FY2023.

Finance costs

Our finance costs decreased by approximately HK\$2.0 million or approximately 17.7% from approximately HK\$11.3 million for FY2022 to approximately HK\$9.3 million for FY2023.

Profit attributable to owners of the Company

We recorded a profit of approximately HK\$18.9 million for FY2023 as compared to loss of approximately HK\$12.1 million for FY2022.

Inventories

Inventories amounted to approximately HK\$324.8 million as at 31 December 2023, which represented an increase of approximately HK\$2.5 million from approximately HK\$322.3 million as at 31 December 2022.

Trade and other receivables and payables

The Group's trade and other receivables amounted to approximately HK\$134.7 million as at 31 December 2023, which represented an increase of approximately HK\$44.9 million from approximately HK\$89.8 million as at 31 December 2022.

The Group's trade and other payables amounted to approximately HK\$67.2 million as at 31 December 2023, which represented an increase of approximately HK\$33.5 million from approximately HK\$33.7 million as at 31 December 2022.

Liquidity, financial resources and capital structure

As at 31 December 2023, the Group had pledged bank deposits of approximately HK\$5.0 million (2022: HK\$6.5 million) and non-pledged cash and bank balances of approximately HK\$5.9 million (2022: approximately HK\$6.3 million). As at 31 December 2023, the Group had bank and other borrowings of approximately HK\$319.2 million (2022: approximately HK\$282.1 million), of which approximately HK\$ Nil (2022: approximately HK\$3.9 million) were secured and interest-free; of which approximately HK\$12.2 million (2022: approximately HK\$13.0 million) were secured and carried with variable interest bearings ranged from 7.67% to 8.63% (2022: 6.97% to 8.88%) per annum; of which HK\$9.4 million (2022: HK\$3.4 million) were unsecured and interest free; and of which approximately HK\$297.6 million (2022: approximately HK\$261.8 million) were unsecured and carried with fixed interest bearings 1.5% to 6% (2022: 5% to 6%) per annum. As at 31 December 2023, part of the bank and other borrowings amounted to approximately HK\$2.3 million was repayable over one year and the remaining balance amounted to approximately HK\$316.9 million was repayable within one year.

As at 31 December 2023, the Group's gearing ratio was approximately 190.3% (2022: approximately 261.6%). 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 2023.

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 2023. 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 2023, bank deposits of approximately HK\$5.0 million (2022: approximately HK\$6.5 million) were pledged to secure the short term banking facilities granted to the Group.

Material acquisition and disposal of subsidiaries or associated companies

On 21 November 2022, the Group entered into a sale and purchase agreement with a vendor (the “**Vendor**”), pursuant to which the Group conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire issued share capital of Gold Vantage Industrial Limited (“**Gold Vantage**”), which together with its subsidiaries (collectively, the “**Gold Vantage Group**”) are principally engaged in the business of design, development and manufacturing of stainless-steel alloy watches cases, smart watch cases on ODM or OEM basis (the “**Acquisition**”). The Acquisition was completed on 19 April 2023.

Details of the transaction are set out in the Company’s announcement dated 21 November 2022, the Company’s circular dated 13 March 2023 and announcement dated on 19 April 2023.

Save as disclosed above, the Group had no significant investment, material acquisition and disposal of subsidiaries, associates and joint ventures during 2023 year.

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 FY2023, no significant investments were held by the Group.

Contingent liabilities

As at 31 December 2023, the Group did not have any contingent liabilities.

Employees and remuneration policies

As at 31 December 2023, the Group had a total of 434 full-time employees, which represented an increase of approximately 197.26% compared to 146 employees as at 31 December 2022. Total staff costs for FY2023 increased to approximately HK\$53.7 million from approximately HK\$39.4 million for FY2022.

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 FY2023.

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 2023 (2022: Nil).

EVENTS AFTER THE REPORTING PERIOD

There was no events after the reporting period as at 31 December 2023.

PROSPECTS

In 2023, China's overall economic growth slow down, the impact of Sino-US trade frictions and other macro factors, and the recovery momentum of consumption in the Chinese market is lower than expected. With the advancement of technology and the rise of smart watches, the traditional watch industry is facing several challenges. However, by constantly innovating and adapting to market changes, there is still an opportunity for the traditional watch industry to continue to grow.

Products

In 2023, the Group planned a complete price system for all online and offline channels and platforms, and maintain the brand positioning of Ernest Borel Swiss watches from the price system.

According to the company's procurement guidelines and policy guidelines, the supply chain has gradually changed from purchasing spare parts and Swiss self-assembly to all outsourcing and procurement. The Group establish and maintain long-term, stable, positive and good cooperative relations with suppliers to ensure the effective operation of the supply chain system, and continuously improve the comprehensive control of the supply chain including quality assurance, delivery time achievement and adjustment and optimization to strengthen the competitiveness of products.

Brand Promotion

In 2023, a new image counter store will be launched to create a romantic, elegant, fashionable and young style of the brand and enhance the visual effect of the brand. In order to stimulate terminal consumption, the class purchase of watches and gifts is adopted to promote the sales growth of terminal stores. 2023 new product information and best-selling catalogue will be sent to stores and distributors across the country. Inheritance series, star diamond series, retro series, overseas models: wisdom series, retro series video shooting. Invite influencers to visit offline stores to promote the project and enhance the brand's popularity on the Internet. Domestic official platforms (Weibo, WeChat, 小紅書, Tiktok and 快手 etc.) and overseas official platforms Facebook and Instagram for information updates and fan interactions.

Intensify efforts to promote overseas brands (Vietnam through cooperation with local golf associations to organise events, Kuala Lumpur and Taiwan to hold new product launches and in-house cocktail parties). Comprehensively optimize after-sales service and improve customer satisfaction.

In the coming year, the Group will strengthen its overseas brand promotion efforts, continue to seek development opportunities, explore new markets, expand its business base, expand its overseas territory and increase its overseas market share. In view of the good growth potential and strong market demand in the smart watch market. On 19 April 2023, the Group completed the acquisition of a smart watch manufacturer, which mainly engaged in the design, development and production of stainless steel alloy watch cases and smart watch cases in the form of original design manufacturers and original equipment manufacturers. The Group is strengthened its revenue base through the production and sale of smart watch components. The Group is able to catch up the opportunities in the smart watch market, enhance the growth potential of the Group and maximize returns for shareholders.

BUSINESS AND SALES STRATEGY

(1) Product research and development

In 2024, it is planned that the domestic market will still be dominated by inventory clearance and renovation of products. The main resources and energy of R&D are focused on overseas markets with more opportunities and more new products.

(2) Sales operations

1) *Online and offline sales*

Online, striving to expand sales scale, seize market share, improve sales profits, and increase cash flow are the business directions of the brand. Strive to expand high-quality customers, increase the number of new accounts of high-quality stores, and increase the stock of existing customers and existing stores. On the premise of maintaining and expanding sales scale and sales profits, we will continue to adhere to the flexible and down-to-earth sales policy of one place and one policy.

Offline, focus on the development of third, fourth and fifth tier cities. Under the advantage of maintaining the current sales channels, we will focus on promotional activities and design diversified activity content. Improve the decoration effect of offline stores, achieve the purpose of “attracting and retaining customers”, and help increase the sales of offline stores. The annual promotion will focus on key areas and key stores, and add a variety of different types of promotional gifts to strive for the effectiveness of promotion. Self-operated stores will propose promotional activities that are more relevant and attractive to consumers.

2) *E-commerce sales*

Increase the scale of e-commerce sales, such as Tmall stores, JD self-operated and POP stores, improve the product segmentation, optimize page details, main image videos and other content, improve page performance, and strive for higher stay and conversion. For Vip shop, good in communication and service with partners, especially the maintenance of product supply and price system, maintains close communication with partners and platforms on a daily basis, pays attention to product and sales data, and strives for stable sales output.

3) *Sales in Hong Kong, Macau, other Asia, overseas and duty-free shopping system*

We will focus on developing the Southeast Asian and North American markets. For the Asian market, we will focus on strengthening the new Sales and brand image renewal of duty-free stores in Canada, Thailand duty-free stores will be launched in the second quarter of 2024, South Asia and India have completed the replacement of new distributors and completed the first batch of shipments, Hong Kong and Macau market continues to launch edition styles item.

4) *Strengthen marketing integration within the group*

Strengthen resource sharing and marketing interaction with the brother brands to influence of the Ernest Borel brand in the global market. At the same time, well prepare in the global market of the Ernest Borel brand synergy of marketing resources to enhance the sharing of information on Ernest Borel activities at home and abroad, including Swiss materials innovation, the sharing of marketing materials in different countries and the release of multi-national marketing accounts and channels let the global consumers can always pay attention to brand dynamics and seek the expansion and leverage effect of resource investment.

Enhance the Swiss's style and internationalization of the brand to enhance consumer recognition.

5) *R&D of smart watch accessories*

During the year, it successfully acquired a smart watch accessories processing and production manufacturer, which is mainly engaged in smart watch accessories, the R&D, OEM and production. It probably are creating synergies with the traditional watch business, and our company will work hard to explore and distribute more unique watch accessories to diversify Ernest Borel products and business in the future.

(3) *Incentive mechanisms*

- 1) Implement strict performance appraisal for each sales department, focusing on the three major indicators of invoicing, payment collection and profit. It is directly linked to the company's annual business objectives.
- 2) The functional departments implement a comprehensive assessment system, and motivate according to the department's contribution when the company's goals are completed.
- 3) Actively explore the equity incentive mechanism of listed companies, and strive to complete the equity incentive plan on an annual basis.

CONCLUSION

In the new year, looking back on history and looking forward to the future, the global economic situation is improving and economic development is recovering. We have a clear understanding of the market, and with the implementation of our measures, under the guidance of the Board of Directors, we are full of confidence in the development of the brand, and we all work together to do our own work and complete the target plan.

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 2023) 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. Zhang Bin 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 FY2023 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 FY2023.

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

During the year ended 31 December 2023, 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 FY2023 (2022: Nil).

ANNUAL GENERAL MEETING (“AGM”)

The AGM will be held in Hong Kong on 2024. Notice of the AGM will be issued and disseminated to the Company’s shareholders in due course.

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 2023 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 and the Company’s website at www.ernestborel.ch. The annual report of the Company for FY2023 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, 27 March 2024

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

<i>Executive Directors:</i>	Mr. Teguh Halim and Ms. Lam Lai
<i>Non-executive Director:</i>	Mr. Xiong Ying
<i>Independent Non-executive Directors:</i>	Mr. To Chun Kei, Mr. Zhang Bin and Ms. Chan Lai Wa