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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)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

- Revenue for the financial period ended 30 June 2024 (“**1HFY2024**”) decreased from approximately HK\$82.5 million to approximately HK\$40.1 million when compared with the corresponding period of last year (“**1HFY2023**”).
- Gross profit margin decreased from approximately 53.4% for 1HFY2023 to approximately 48.5% for 1HFY2024. Gross profit decreased from approximately HK\$44.1 million for 1HFY2023 to approximately HK\$19.4 million for 1HFY2024.
- Loss for the period attributable to owners of the Company was approximately HK\$5.3 million for 1HFY2024, turnaround from profit for the period attributable to owners of the Company of approximately HK\$1.3 million for 1HFY2023.
- Basic and diluted loss per share was approximately HK1.48 cents for 1HFY2024 and basic and diluted earnings per share was approximately HK0.36 cents for 1HFY2023.

RESULTS

The board of directors (the “**Board**”) of Ernest Borel Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	<i>NOTES</i>	For the six months ended 30 June	
		2024 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)
Revenue	3	40,068	82,542
Cost of sales		<u>(20,622)</u>	<u>(38,433)</u>
Gross profit		19,446	44,109
Other gains and losses, net		11,914	3,463
Other income		8,127	2,762
Distribution expenses		(7,615)	(23,475)
Administrative expenses		(33,743)	(21,409)
Finance costs		<u>(4,840)</u>	<u>(4,439)</u>
(Loss)/profit before tax	4	(6,711)	1,011
Income tax credit	5	<u>1,374</u>	<u>260</u>
(Loss)/profit for the period attributable to owners of the Company		<u>(5,337)</u>	<u>1,271</u>
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit scheme		108	126
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(8,103)</u>	<u>7,285</u>
Other comprehensive income for the period		<u>(7,995)</u>	<u>7,411</u>
Total comprehensive income for the period		<u>(13,332)</u>	<u>8,682</u>
(Loss)/earnings per share – (expressed in HK cents)			
Basic and diluted	7	<u>(1.48)</u>	<u>0.36</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		As at 30 June 2024	As at 31 December 2023
	<i>NOTES</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		49,314	57,111
Life insurance policy		1,416	1,411
Rental deposits	8	1,485	1,485
Goodwill		27,093	27,934
Intangible assets	9	55,198	59,391
Deferred tax assets		7,260	7,362
		141,766	154,694
Current assets			
Inventories		318,064	324,784
Trade and other receivables	8	132,783	133,205
Financial assets at fair value through profit or loss		–	32,410
Pledged bank deposits		5,000	5,000
Bank balances and cash		9,671	5,911
		465,518	501,310
Current liabilities			
Trade and other payables	10	53,412	67,247
Tax payable		1,258	1,468
Lease liabilities		5,520	7,625
Amount due to a related party		16,232	13,555
Amounts due to fellow subsidiaries		263,021	266,599
Amount due to a director		2,824	2,424
Amount due to ultimate holding company		1,480	3,400
Financial liabilities at fair value through profit or loss		14,480	–
Bank and other borrowings		28,426	30,925
		386,653	393,243
Net current assets		78,865	108,067
Total assets less current liabilities		220,631	262,761

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Non-current liabilities		
Lease liabilities	13,576	15,443
Bank borrowings	2,170	2,314
Deferred tax liabilities	30,878	30,374
Pension obligation	1,234	1,933
Financial liabilities at fair value through profit or loss	18,313	44,905
	<u>66,171</u>	<u>94,969</u>
Net assets	<u>154,460</u>	<u>167,792</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	3,603	3,603
Reserves	150,857	164,189
	<u>154,460</u>	<u>167,792</u>
Total equity	<u>154,460</u>	<u>167,792</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) as well as the applicable disclosure requirements of Appendix D2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2023 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2024.

The preparation of these condensed consolidated interim financial statements in compliance with IAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (the “IFRSs”) and should be read in conjunction with the 2023 consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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, during the interim period. The revenue of the Group are recognised at point in time.

The Group’s principal activities are manufacturing and sales of watches, and smart 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 condensed consolidated statement of profit or loss and other comprehensive income.

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 manufacturing business segment: design, development and manufacturing of stainless-steel alloy watches cases, smartwatches cases on ODM or OEM basis.

(a) Segment revenue and results

For the six months ended 30 June 2024

	Watches <i>HK\$'000</i> (Unaudited)	Smart Manufacturing <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue				
Revenue	<u>22,965</u>	<u>17,103</u>	<u>–</u>	<u>40,068</u>
Segment results				
Unallocated corporate incomes and expenses, net	–	–	(3,531)	(3,531)
Finance costs	<u>(4,453)</u>	<u>(387)</u>	<u>–</u>	<u>(4,840)</u>
Profit/(loss) before income tax	832	(4,012)	(3,531)	(6,711)
Income tax (expense)/credit	<u>(124)</u>	<u>1,498</u>	<u>–</u>	<u>1,374</u>
Profit/(loss) after income tax	<u>708</u>	<u>(2,514)</u>	<u>(3,531)</u>	<u>(5,337)</u>

For the six months ended 30 June 2023

	Watches <i>HK\$'000</i> (Unaudited)	Smart Manufacturing <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue				
Revenue	<u>61,339</u>	<u>21,203</u>	<u>–</u>	<u>82,542</u>
Segment results				
Unallocated corporate incomes and expenses, net	–	–	(4,021)	(4,021)
Finance costs	<u>(4,367)</u>	<u>(72)</u>	<u>–</u>	<u>(4,439)</u>
Profit/(loss) before income tax	154	4,878	(4,021)	1,011
Income tax (expense)/credit	<u>(119)</u>	<u>379</u>	<u>–</u>	<u>260</u>
Profit/(loss) after income tax	<u>35</u>	<u>5,257</u>	<u>(4,021)</u>	<u>1,271</u>

(b) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers based on the location of customers.

	Revenue from external customers For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
People's Republic of China ("PRC")	32,409	61,939
Hong Kong and Macau	2,418	5,252
Korea	1,998	–
Southeast Asia	624	14,519
Others (mainly in Europe)	2,619	832
	<u>40,068</u>	<u>82,542</u>

(c) Information about major customers

Revenue derived from customers contributed 10% or more of the total revenue of the Group are as follows:

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Customer A from watches business segment	–	10,301
Customer B from smart manufacturing business segment	5,894	14,757
	<u>5,894</u>	<u>14,757</u>

4. (LOSS)/PROFIT BEFORE TAX

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
(Loss)/profit before tax has been arrived at after charging/(crediting):		
Provision for/(reversal of) impairment loss of trade receivables, net*	396	(3,201)
Cost of inventories recognised as expenses, including	20,622	38,433
– Reversal of allowance for inventories	–	(37)
Government subsidies#	–	(973)
Depreciation of property, plant and equipment	4,510	4,931
Amortisation of intangible assets	6,043	1,516
	<u>23,842</u>	<u>24,472</u>
Staff costs (including directors' emoluments):		
– Salaries and other benefits	23,842	24,472
– Retirement benefits scheme contributions	1,807	2,236
	<u>25,649</u>	<u>26,708</u>
Total staff costs	<u>25,649</u>	<u>26,708</u>

Notes:

* Included in "other gains or losses"

Included in "other income"

5. INCOME TAX CREDIT

	For the six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Switzerland Income Tax	(124)	(135)
Deferred tax credit	<u>1,498</u>	<u>395</u>
Income tax credit for the period	<u><u>1,374</u></u>	<u><u>260</u></u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax has been made for both periods 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 periods. Under relevant Tax Law in Switzerland, the Group's subsidiary incorporated in Switzerland was subject to Direct Federal Tax ("DFT") of 8.5% (six months ended 30 June 2023: 8.5%) and Cantonal Communal Tax ("CCT") of 11.5% (six months ended 30 June 2023: 11.5%).

Swiss Federal withholding tax is levied at a rate of 35% on the distribution of the profit of the company incorporated in Switzerland for both periods.

Under the laws of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of EIT Law, the tax rate of the PRC subsidiary is 25% (six months ended 30 June 2023: 25%). No provision for EIT has been made for both periods as the Group has no assessable profits arising in the PRC.

6. DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2024 and 2023, nor has any dividend been proposed since the end of the reporting period.

7. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share for the six months ended 30 June 2024 is based on the loss attributable to owners of the Company of HK\$5,337,000 (six months ended 30 June 2023: profit of HK\$1,271,000) and on the weighted average number of 360,257,512 (six months ended 30 June 2023: 352,041,051) ordinary shares in issue during the period.

There is no potential dilutive ordinary shares outstanding for the six months ended 30 June 2024 and thus the dilute (loss)/earnings per share is the same as the basic (loss)/earnings per share.

8. TRADE AND OTHER RECEIVABLES

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Non-current:		
Rental deposits	<u>1,485</u>	<u>1,485</u>
Current:		
Trade receivables, gross	133,121	139,540
Less: impairment loss allowance	<u>(14,511)</u>	<u>(14,115)</u>
Trade receivables, net	<u>118,610</u>	<u>125,425</u>
Other receivables	7,887	3,020
Other tax recoverable	234	339
Prepayments	4,782	2,007
Deposits	<u>1,270</u>	<u>2,414</u>
	<u>14,173</u>	<u>7,780</u>
Total current trade and other receivables	<u><u>132,783</u></u>	<u><u>133,205</u></u>
Total trade and other receivables	<u><u>134,268</u></u>	<u><u>134,690</u></u>

Included in the trade receivables, amounts of HK\$12,506,000 (31 December 2023: HK\$12,853,000) are due from fellow subsidiaries of the Company.

The Group allows a credit period ranging from 90 days to 360 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:

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
0–90 days	10,552	48,375
91–180 days	10,914	15,087
181–270 days	41,740	22,373
Over 270 days	<u>55,404</u>	<u>39,590</u>
	<u><u>118,610</u></u>	<u><u>125,425</u></u>

9. INTANGIBLE ASSETS

	Computer Software <i>HK\$'000</i>	Technical knowhow <i>HK\$'000</i>	Customer Relationship <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
As at 1 January 2024 (audited)	946	44,958	21,803	67,707
Addition	451	–	–	451
Exchange realignment	(1)	1,092	530	1,621
	<u>1,396</u>	<u>46,050</u>	<u>22,333</u>	<u>69,779</u>
ACCUMULATED AMORTISATION				
As at 1 January 2024 (audited)	66	3,153	5,097	8,316
Charge for the period	51	2,290	3,702	6,043
Exchange realignment	21	77	124	222
	<u>138</u>	<u>5,520</u>	<u>8,923</u>	<u>14,581</u>
CARRYING AMOUNTS				
As at 30 June 2024 (unaudited)	<u>1,258</u>	<u>40,530</u>	<u>13,410</u>	<u>55,198</u>
As at 31 December 2023 (audited)	<u>880</u>	<u>41,805</u>	<u>16,706</u>	<u>59,391</u>

10. TRADE AND OTHER PAYABLES

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Trade payables	34,881	37,231
Other payables	8,137	18,517
Accruals	10,394	11,225
Contract liabilities arising from sales of goods	–	274
	<u>53,412</u>	<u>67,247</u>

Included in the trade payables, amount of HK\$295,000 (31 December 2023: HK\$302,000) are due to fellow subsidiaries of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2024, due to the uncertainties of the global macro economic environment and geopolitical tensions, the global economic recovery was slower than expected, and the watch industry was also affected, resulting in the Group's revenue not being as good as expected. The Group will continue to work hard to expand its business, catch up and seek breakthroughs in the second half of the year.

The Group recorded a revenue of approximately HK\$40.1 million for 1HFY2024 (1HFY2023: approximately HK\$82.5 million), representing a decrease of approximately 51.4%. Gross profit and gross profit margin decreased to approximately HK\$19.4 million for 1HFY2024 (1HFY2023: approximately HK\$44.1 million) and decreased to approximately 48.5% for 1HFY2024 (1HFY2023: approximately 53.4%), respectively. Consequently, loss attributable to equity holders amounted to approximately HK\$5.3 million for 1HFY2024 (1HFY2023: profit of approximately HK\$1.3 million).

BUSINESS REVIEW

Watches Business

Established since 1856 in Switzerland, Ernest Borel has a proud heritage spanning 168 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 People’s Republic of China (the “**PRC**”), the Hong Kong Special Administrative Region (“**Hong Kong**”), the Macau Special Administrative Region (“**Macau**”) and other markets. As at 30 June 2024, the Group has a total of 757 points of sale (“**POS**”).

During the first half of 2024, China’s retail market continued to be challenging. Consumers’ consumption attitudes were more cautious, and the economic recovery after pandemic was slower than expected, which will continue to have an impact on the retail market in 2024. However, the Group responded proactively and actively opened up overseas markets, expanding its business focus from China to overseas customers, such as Europe, the United States and Southeast Asia, Thailand and other places. We will continue to work hard to strengthen our online sales platform and strive to do best in online marketing. In addition, we pay close attention to market trends and understand consumer preferences. As always, the Group will improve in inventory management and the sales-to-inventory ratio, explore new markets, optimize operating models, and achieve profit increases.

In the field of e-commerce, profits earned by online platforms dropped compared to the same period last year. The main reason is that because the Group's business development focus in the past was on the Chinese market, consumer confidence in China is weaker than in other regions after the pandemic, so the impact is high. In view of this, the Group will strive to expand its online platform in overseas regions and strengthen the promotion of the company's brand by holding exhibitions overseas. Since Ernest Borel has been standing for more than a century and has a certain reputation in the watch industry, it has a certain reputation in the watch industry. Due to its brand history and reputation, it has been favored by some foreign customers at overseas exhibitions and has now negotiated a business plan to develop a business platform for overseas markets.

The main source of customers for Hong Kong and Macau is China. Due to the slowdown in China's economic environment, consumer spending is more cautious than before. Visitors to Hong Kong and Macau have not returned to pre-epidemic levels, and sales business is weaker than before. In addition, watches are luxury goods. After the pandemic, consumers' shopping behavior has changed, and they are no longer as enthusiastic about luxury goods as before. Hence, the Group's sales team will seek breakthroughs, including, but not limited to, in product research and development, watch functions and design or reform and innovation. The Group will continue to make products more diversified and more attractive to consumers.

Based on the above, the Group has demonstrated resilience and adaptability in the team of market challenges. Seeking breakthroughs, whether in product development, reform and innovation in watch functions and design. The Group will continue to diversify its products to respond to the ever-changing market environment, thereby increasing profits and establishing a firm foothold in the watch industry.

The PRC market

China remains the Group's main market. As of June 30, 2024, the Group had 618 points of sales in China. Revenue from the China segment decreased by approximately 66.5% from approximately HK\$55.9 million in the first half of fiscal year 2023 to approximately HK\$18.7 million in the first half of 2024, accounting for approximately 81% of the total revenue of the watch business.

Hong Kong and Macau markets

As of June 30, 2024, the Group had 37 points of sales in the Hong Kong and Macau markets. Sales in these markets decreased by approximately 59% from approximately HK\$4.4 million in the first half of 2023 to approximately HK\$1.8 million in the first half of 2024, accounting for approximately 8% of the total revenue of the watch business.

Other market

As of June 30, 2024, the Group had 102 points of sales in other markets, mainly in Southeast Asia and Europe. Sales in these markets increased by approximately 127% from approximately HK\$1.1 million in the first half of fiscal year 2023 to approximately HK\$2.5 million in the first half of fiscal 2024, accounting for approximately 11% of the total revenue of the watch business.

Smart Manufacturing Business

In the first half of 2024, the order volume of Gold Vantage Group (“**Gold Vantage**”), a subsidiary of the Group and responsible for the smart watch accessories manufacturing business, decreased compared with the original forecast. The main reason was that part of major customers due to the macro environment was not as ideal as expected, those customers were more prudent and conservative in placing orders than before, so customers adjusted the order cycle and postponed some production orders to Gold Vantage. Gold Vantage’s order volume in the first half of the year was lower than expected. At the same time, Gold Vantage’s other small and medium-sized customers are highly sensitive to the market. Those customers have followed the market trend and delayed their order production cycle, resulting in Gold Vantage’s revenue falling significantly in the first half of the year.

The management of the Group believes that the main business focus of the above-mentioned customers is around the Chinese market. The current economic recovery of the Chinese market is slower than expected, which will inevitably have a corresponding impact on their business. The Group will strengthen communication with these customers and strive to coordinate and track customer orders in the second half of the year and to follow up the status.

The Group remains confident in the prospects of its smart watch manufacturing business because today’s consumers value smart products and product intelligence is today’s fashion trend. The Group believes that smart watches will account for the largest proportion of the watch industry in the near future. The Group will continue to work hard to develop patented structural designs to make its products unique and diversified to attract more customers.

FINANCIAL REVIEW

Revenue and segment information

The Group’s revenue decreased by approximately HK\$42.4 million or approximately 51.4% from approximately HK\$82.5 million for 1HFY2023 to approximately HK\$40.1 million for 1HFY2024.

Watches Business

Revenue from watches business decreased by HK\$38.3 million or approximately 62.5% from approximately HK\$61.3 million for 1HFY2023 to approximately HK\$23 million for 1HFY2024.

Smart Manufacturing Business

Revenue from smart manufacturing business was approximately HK\$17.1 million for the 1HFY2024.

Cost of Sales

The Group's cost of sales decreased by approximately HK\$17.8 million or approximately 46.3% from approximately HK\$38.4 million for 1HFY2023 to approximately HK\$20.6 million for 1HFY2024.

Watches Business

Cost of sales from watches business decreased by HK\$21.8 million or approximately 85.8% from approximately HK\$25.4 million for 1HFY2023 to approximately HK\$3.6 million for 1HFY2024.

Smart Manufacturing Business

Cost of sales from smart manufacturing business was approximately HK\$17.0 million for 1HFY2024.

Gross profit

The Group's gross profit decreased by approximately HK\$24.7 million or approximately 55.9% from approximately HK\$44.1 million for 1HFY2023 to approximately HK\$19.4 million for 1HFY2024. Watches business contributed approximately HK\$19.3 million for 1HFY2024 (1HFY2023: approximately HK\$35.9 million); and smart manufacturing business contributed approximately HK\$0.1 million for 1HFY2024 (1HFY2023: approximately HK\$8.2 million). The gross profit margin decreased from approximately 53.4% for 1HFY2023 to approximately 48.5% for 1HFY2024.

Other gains and losses, net

The Group recorded net gains of approximately HK\$11.9 million for 1HFY2024 as compared to net gain of approximately HK\$3.5 million for 1HFY2023.

Distribution expenses

The Group's distribution expenses decreased by approximately HK\$15.9 million or approximately 67.7% from approximately HK\$23.5 million for 1HFY2023 to approximately HK\$7.6 million for 1HFY2024, representing approximately 19% of the Group's total revenue for 1HFY2024 (1HFY2023: approximately 28.4%).

Administrative expenses

The Group's administrative expenses increased by approximately HK\$12.3 million or approximately 57.5% from approximately HK\$21.4 million for 1HFY2023 to approximately HK\$33.7 million for 1HFY2024.

Finance costs

The Group's finance costs increased by approximately HK\$0.4 million or approximately 9.1% from approximately HK\$4.4 million for 1HFY2023 to approximately HK\$4.8 million for 1HFY2024.

Profit for the period attributable to owners of the Company

The Group's net loss attributable to owners of the Company was approximately HK\$5.3 million for 1HFY2024, turnaround from net profit of approximately HK\$1.3 million for 1HFY2023.

Inventory

Inventory amounted to approximately HK\$318.1 million as at 30 June 2024, which represented a decrease of approximately HK\$6.7 million from approximately HK\$324.8 million as at 31 December 2023.

Trade and other receivables and payables

The Group's trade and other receivables amounted to approximately HK\$132.8 million as at 30 June 2024, which represented a decreased of approximately HK\$0.4 million from approximately HK\$133.2 million as at 31 December 2023.

The Group's trade and other payables amounted to approximately HK\$53.4 million as at 30 June 2024, which represented a decrease of approximately HK\$13.8 million from approximately HK\$67.2 million as at 31 December 2023.

Liquidity, financial resources and capital structure

As at 30 June 2024, the Group had pledged bank deposits of approximately HK\$5.0 million (2023: HK\$5.0 million) and non-pledged cash and bank balances of approximately HK\$9.7 million (2023: approximately HK\$5.9 million). As at 30 June 2024, the Group had bank and other borrowings of approximately HK\$314.2 million (2023: approximately HK\$319.2 million), of which approximately HK\$ Nil (2023: Nil) were secured and interest-free; of which approximately HK\$10.0 million (2023: approximately HK\$12.2 million) were secured and carried with variable interest bearings ranged from 7.48% to 8.29% (2023: 7.67% to 8.63%) per annum; of which HK\$26.4 million (2023: HK\$9.4 million) were unsecured and interest free; and of which approximately HK\$277.8 million (2023: approximately HK\$297.6 million) were unsecured and carried with fixed interest bearings 1.5% to 6% (2023: 1.5% to 6%) per annum. As at 30 June 2024, part of the bank and other borrowings amounted to approximately HK\$2.2 million was repayable over one year and the remaining balance amounted to approximately HK\$312.0 million was repayable within one year.

Foreign exchange exposure

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

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

Charge on assets

As at 30 June 2024, bank deposits of 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

During the period ended 30 June 2024, the Group did not have any material acquisition and disposal of subsidiaries or associated companies.

Future plans for material investments and capital assets

There was no definite future plan for material investments and acquisition of material capital assets as at 30 June 2024.

Contingent liabilities

During this reporting period, the Group did not have any material contingent liabilities (31 December 2023: Nil).

Interim dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024 (1HFY2023: Nil).

Employees and remuneration policies

As at 30 June 2024, the Group had a total of 399 full time employees (31 December 2023: 446). Total staff costs, including directors' emoluments, was approximately HK\$25.6 million for 1HFY2024 (1HFY2023: approximately HK\$26.7 million).

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.

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 to deepen their knowledge in the industry.

Capital commitments

At 30 June 2024, the Group did not have material capital commitments (31 December 2023: Nil).

Events after the reporting period

There are no material events undertaken by the Group after the reporting period.

PROSPECTS

Watches Business

Products

The Group has always insisted on producing high-quality "Swiss Made" watches. In the future, the Group will keep closer to the market, grasp popular trends, analyze the mentality and spending power of major consumers, and use professional product design capabilities to design men's watches, women's watches and couple watches that cater to our target customers series.

Brand Promotion

The Group continues to promote and enhance the awareness of the "Ernest Borel" brand through different forms of marketing initiatives, introducing the "Ernest Borel" brand to younger and international consumers, so that the romantic culture of the "Ernest Borel" brand can be sustained.

The Group enhances brand awareness and market share by coordinating online and offline brand promotion activities. Online promotion and product visibility are promoted through social media channels such as 小紅書, Tiktok, IG and Facebook. This year, the Group added more celebrity bloggers to promote and publicize its products on major social media. In order to the brand younger and attract more young people to buy. In addition, the Group reorganized the team responsible for online sales this year and added a dedicated international market team, aiming to strengthen online marketing skills in overseas markets, responsible for developing overseas customers, and tailoring marketing plans to meet the needs of overseas customers. In order to do well in the overseas market, the Group will increase its participation in exhibitions and overseas exhibitions this year and proactively visit overseas customers to develop overseas customer sources.

Distribution Channels

The Group's offline sales strategy will continue to implement flexible sales policies, personalized customization for each region and customer, and actively pursue annual sales targets. We will continue to strengthen customer service and strive to cooperate with different customers and use targeted customer management methods. Understanding customers is equal to understanding market needs and the results of mutual benefit and win-win. We will proactively explore new market segments, maintain regular communication, visit customers frequently, provide positive encouragement, and build customer confidence to effectively solve challenges such as replenishment difficulties and to ensure the delivery time. The team will focus on meticulous management work and strive for excellence in various areas, thereby increasing terminal sales and business income.

E-commerce sales

Increase brand promotion activities to increase brand awareness and market share. Online promotion and product visibility are promoted through social media channels such as 小紅書, Tiktok, IG and Facebook. This year, the Group added more celebrity bloggers to promote and publicize its products on major social media. In addition, the Group reorganized the team responsible for online sales this year and added a dedicated international market team, aiming to strengthen online marketing skills in overseas markets. Efforts will be made to develop more overseas e-commerce platforms, increase sales on overseas e-commerce platforms, and create higher profits.

Operation

The Group's product plan focuses on reducing inventory level of watch movements and spare parts while ensuring sales supply. Procurement department will closely align with sales department to avoid inventory buildup and waste, gradually improving efficiency throughout the supply chain operations. Real-time analysis of sales and inventory will enable phased production and on-demand delivery, controlling cash flow expenditures and reducing excessive stock accumulation.

To Control the company's internal administrative and business expenses, and specially in cost control. All expenses are standardized, and the principle is to use what should be spent and what should be save. Non-essential expenses can be avoided.

Reorganize the internal personnel structure, streamline the company's personnel, streamline the company's structure, dismiss employees who were previously inefficient and did not meet standards, and reduce internal redundancy to reduce personnel costs. Re-plan the departments with overlapping work task to make the division of labor of each department more detailed and professional, so that the future work will be smoother. Understand the expertise of each employee and allocate them to the corresponding departments to improve the company's overall operational efficiency and allow employees to utilize their strengths.

Smart Manufacturing Business

In view of the fact that in the first half of the year, the revenue of Gold Vantage Group (“**Gold Vantage**”), the Group’s subsidiary responsible for the smart watch accessories manufacturing business, was lower than expected, the Group will pay close attention to the order situation of existing customers and take corresponding measures and strive to communicate with customers. Coordinate to understand the latest status of customers to achieve the goals for the second half of the year. The Group is currently negotiating with a well-known overseas electronic product manufacturer for new product development and sample production schedule. If everything running smoothly, it will be put into production in the fourth quarter. Due to the keen market competition in the smart watch accessories manufacturing business, Gold Vantage will work hard to develop patented design products to make the products unique and diversified and enhance market competitiveness.

In addition, the Group plans to strengthen Gold Vantage’s own business capabilities and expand overseas markets, and will recruit more professionals with international perspectives to strengthen Gold Vantage’s ability to contact overseas customers and its business level. Transform the business model that from China to worldwide, and attract more orders from overseas customers.

Conclusion

The global economy and customer consumption patterns have changed. Although the pandemic is past, it has not been able to restore customer confidence. The macroeconomy has become complex and challenging, and China’s economic recovery has not gone as expected, which has put pressure on the revenue of the watch business. However, the Group is still confident in the prospects of its smart watch manufacturing business because today’s consumers value smart products and product intelligence is today’s fashion trend. The Group believes that smart watches will account for the largest proportion of the watch industry in the near future. The Group will continue to work hard to develop patented structural designs to make its products unique and diversified to attract more customers. In addition, the Group has focused on business in China in the past. In the future, it will strive to expand overseas markets be more globalization to attract more orders from overseas customers. We also strive to develop sales revenue from different channels and control all operating costs such as administrative expenses to achieve the goal of increasing revenue and reducing expenditure. Finally, all members of the Group will work together to overcome the current difficulties and work hard for the company with an indomitable spirit. Will live up to the expectations of shareholders and strive for more profits and income, creating value for the Group and bringing sustainable returns.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has complied with all code provisions as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”) throughout the six months ended 30 June 2024.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code and its code of conduct regarding directors’ securities transactions throughout the six months ended 30 June 2024.

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code. The duties of our Audit Committee are, among others, to make recommendations to our Board on the appointment, re-appointment and removal of external auditors, and to assist our Board in fulfilling its responsibilities by providing an independent review and supervision of our financial and other reporting, by reviewing our internal control, risk management systems and internal audit functions.

As at 30 June 2024, the Audit Committee comprises all of our three Independent Non-executive Directors, namely Mr. Yu Chi Kit, Ms. Chan Lai Wa and Mr. Zhang Bin, with Mr. Yu Chi Kit being the chairman of the Audit Committee. Our unaudited interim results and the interim report for the six months ended 30 June 2024 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results and report complied with the applicable accounting standards and requirements, and that adequate disclosures have been made. The Audit Committee has recommended the Board to adopt the same.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchases, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2024.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.ernestborel.ch). The Interim Report of the Company for the six months ended 30 June 2024 will be published on the aforesaid websites and will be dispatched to the shareholders of the Company in due course.

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

Hong Kong, 29 August 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 Directors:</i>	Mr. Xiong Ying
<i>Independent Non-executive Directors:</i>	Mr. Yu Chi Kit, Ms. Chan Lai Wa and Mr. Zhang Bin