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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)

UPDATE IN RELATION TO FULFILLMENT OF PROFIT GUARANTEE

References are made to the announcements of Ernest Borel Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 21 November 2022, 8 December 2022, 1 February 2023, 29 March 2023 and 19 April 2023 (the “**Announcements**”), the Circular dated 13 March 2023 (the “**Circular**”) and the annual report (the “**Annual Report**”) for the year ended 31 December 2024 (the “**Reporting Period**”). Unless otherwise defined, capitalised terms used in this announcement shall bear the same meanings as those defined in the Announcements, Circular and Annual Report. The Board of Directors of the Company (the “**Board**” or the “**Directors**”) would like to provide additional information in relation to the Announcements, Circular and Annual Report.

THE CALCULATION OF THE PROFIT COMPENSATION

Pursuant to the Sales and Purchase Agreement dated 21 November 2022 and the supplemental agreement (“**Agreement**”) dated 8 December 2022, the Purchaser, a direct wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares (representing the entire issued share capital of the Target Company) at the Consideration in accordance with the terms and conditions of the Agreement. The Consideration of HK\$140 million shall be satisfied as to (i) HK\$100 million by way of the allotment and issue of the Consideration Shares to the Vendor; and (ii) HK\$40 million in cash, subject to the satisfaction of the Profit Guarantee.

Pursuant to the Agreement, the Vendor guarantees to the Purchaser that the consolidated net Profit after tax of the Target Company and its subsidiaries (“**Gold Vantage Group**”) for each of the financial years ending 31 December 2023, 31 December 2024 and 31 December 2025 shall not be less than HK\$30 million (the “**Profit Guarantee**”). If the net Profit after tax stated in the Annual Financial Statements falls short of the Profit Guarantee 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 Guarantee (“**Profit Compensation**”) shall be payable by the Vendor to the Purchaser.

For the year ended 31 December 2024, Gold Vantage Group recorded a consolidated net loss for the year of approximately HK\$17.07 million. As compared with the guaranteed profit of HK\$30 million for the year ended 31 December 2024 (“**2024 Guaranteed Profit**”) as stated in the Sales and Purchase Agreement, there was a shortfall of approximately HK\$47.07 million. In accordance with the terms of the Agreement, the Vendor needs to compensate the Company 1.5 times of the shortfall to the Company. The amount of the 2024 Profit Compensation is approximately HK\$70.6 million, i.e. HK\$47.07 million times 1.5 multiple (HK\$47.07m x 1.5 times = HK\$70.61 million).

THE SETTLEMENT OF THE PROFIT COMPENSATION

Pursuant to the terms of Agreement, the settlement of the 2024 Profit Compensation shall be firstly compensated by way of reduction of approximately 12.8 million consideration shares of the Company (the “**Share Consideration**”) and then; secondly compensated by the deduction of outstanding cash consideration of the second installment of approximately HK\$13.33 million. If there is still an outstanding balance, Vendor will pay in cash.

Pursuant to the Agreement, the consideration for acquisition regardless the share consideration or cash consideration is required to be by the Company according to the agreed timeframe. However, the amount of consideration paid could be adjusted subject to the performance of Gold Vantage Group.

All the conditions precedent to Completion under the Agreement had been fulfilled on 31 March 2023, and Completion took place on 19 April 2023 (the “**Completion Date**”). Upon Completion, the Gold Vantage Group has become an indirect wholly-owned subsidiary of the Company and the financial results of the Gold Vantage Group are consolidated into the Group’s financial statements. Pursuant to the Agreement, the Company will allot and issue an aggregate of 38,461,538 Consideration Shares as partial settlement of the Consideration. The Company allotted and issued 12,820,512 Consideration Shares at the Issue Price as the first instalment of the Consideration Shares to the Vendor on 27 April 2023, representing approximately 3.56% of the enlarged issued share capital of the Company immediately after the allotment and issuance of the first instalment of the Consideration Shares. The remaining Consideration Shares (subject to adjustment pursuant to the Profit Guarantee) will be allotted and issued by the Company to the Vendor over the next two years. Please refer to the Company’s announcement dated 19 April 2023 for the details.

As agreed by the Company and the Vendor in March 2025, the 2024 Profit Compensation was firstly compensated by the deduction of outstanding 12.8 million Shares Consideration (approximately equivalent to HK\$33.3 million), secondly was compensated by deduction of the cash consideration of the second installment of HK\$13.3 million in late of March 2025. For the remaining balance, the amount shall be set off against (i) HK\$10.6 million cash advanced from the Vendor to the Company during the year of 2024 and the current account with a fellow subsidiary (whose owed certain balances to the Vendor) of HK\$13.3 million. As such, all settlement arrangements have been completed in the late of March 2025.

The timing and settlement are summarized as below:

Settlement Date	Item	Amount (HK\$ million)
March 2025	Offset against the second Share Consideration (12.8 million consideration shares)	33.3
March 2025	Offset against the second installment of cash considerations	13.3
March 2025	Offset against the cash advanced from the Vendor during the year of 2024	10.6
March 2025	Offset against the amount due from a fellow subsidiary of the Company	13.4
	2024 Profit Compensation	<hr/> 70.6 <hr/>

IN VIEW OF THE BOARD OF DIRECTORS

Pursuant to the Agreement, the Profit Compensation shall be payable by the Vendor. In the event that Gold Vantage Group recorded loss in its consolidated financial statements, the Vendor shall still compensate the Company 1.5 times of the difference between the net loss after tax and HK\$30 million. The Profit Compensation shall be satisfied 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 to the Company within 30 business days after the issuance of the annual financial statements of Gold Vantage Group for the respective financial year.

Regarding the 2024 Profit Compensation, it has been firstly compensated by deduction of outstanding consideration shares for the installment and secondly compensated by the deduction of the outstanding cash consideration of the second installment of HK\$13.3 million. The remaining balance has been set off with the cash advanced from the Vendor and the current account with a fellow subsidiary. Referring to the disclosures above, the Company is compensated in 1.5 times of the Profit Guarantee. The settlement is in line with the terms of the Agreement. The Board of Directors are of the view that the Company has been compensated according to the Agreement.

According to the Agreement, no such option to sell the Gold Vantage Group back to the Vendor or other rights it held under the terms of the guarantee. However, in the terms of the Profit Compensation, there is no cap on the amount of the Profit Compensation. In case that Gold Vantage Group recorded loss in its consolidated financial statements, the Vendor shall compensate the Purchaser 1.5 times difference between the net loss after tax and HK\$30 million. The Directors is of the opinion that the fact of “no cap on the amount of the Profit Compensation” and “1.5 times of the difference between the net loss after tax and HK\$30 million” is fair and reasonable and of the best interest of the Company as a whole.

The Directors have taken into consideration that (i) the smart watch market has promising growth potential and strong market demand; (ii) the business prospect of Gold Vantage Group has synergy effect with the business of the Company as Gold Vantage Group can supply the necessary watch cases and other components for the watch manufacturing of the Group, and it has extensive experience in manufacturing and sales of smart watches cases. Taken into the overall above considerations, the Directors are of view that is fair and reasonable.

The following factors lead to the significant shortfall of the Profit Guarantee:

- a) Due to intense competition among domestic smart watch accessory manufacturers, some order prices have been reduced to maintain customer relationships and market share. The enhance in production has required adjustments to internal material preparation and the hiring of part-time production staff, leading to higher overall production costs. The gross profit margin for certain orders is lower than before.
- b) Gold Vantage Group’s clients mainly produce goods for export. In 2024, geopolitical tensions have caused significant psychological pressure on clients, those end customers noticeably reducing their reliance on Chinese export raw materials. Mainly export customers acting cautiously, they have reduced their order volumes and split shipments into multiple batches to avoid stockpiling. This has affected the overall order volumes.

- c) The global economy has been influenced by U.S. policies. Since the new U.S. president took office, Sino-U.S. trade policies and measures such as increased tariffs on Chinese products have become more stringent. This has heightened client's concerns about foreign trade and exports, creating barriers for Chinese-manufactured export products and exacerbating challenges for foreign trade exports.

The management is of the view that the consumption was and will continue to be subdued in 2025, with retail sales expanding remained weak. As the principal activity of Gold Vantage Group is manufacturing the components of smart watch, which is a part of consumer goods, it is expected the order quantity remain low due to consumer confidence is still weak.

Regarding to the recognition of the impairment, details of value of inputs used for the valuation together with bases and assumptions and the valuation method and reasons for using that method are mentioned in page 11 to 12 of the 2024 annual report for references.

Having considered that the macroeconomic factors and the uncertain market performance of the watch industry, the Directors were more cautious about expected earnings returns of the Gold Vantage Group. The Company will make further disclosures in respect of the fulfilment of the Profit Guarantee for the Third Profit Guarantee Period in the next annual report of the Company in accordance with the Listing Rules as and when appropriate.

Save as disclosed above, all other information contained in the Announcements, Circular and Annual Report remained unchanged.

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

Hong Kong, 30 April 2025

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. Yu Chi Kit and Ms. Chan Lai Wa