

ERNEST
BOREL
1856



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CORPORATE INFORMATION

DIRECTORS

Executive directors

Mr. Wong Pong Chun James
(*Chairman appointed on 29 July 2016*)

Ms. Liu Libing

Mr. Sit Yau Chiu

(*appointed on 17 August 2016*)

Mr. Su Da (*resigned on 29 July 2016*)

Non-executive directors

Mr. Chan Kwan Pak Gilbert

Mr. Pan Di

Independent non-executive directors

Mr. Lo Chi Chiu

Mr. Cheung Kam Min Mickey

Dr. Yau Bun

COMPANY SECRETARY

Mr. Lau Fan Yu

AUDIT COMMITTEE

Mr. Lo Chi Chiu (*Chairman*)

Dr. Yau Bun

Mr. Cheung Kam Min Mickey

REMUNERATION COMMITTEE

Mr. Lo Chi Chiu (*Chairman*)

Mr. Wong Pong Chun James

Dr. Yau Bun

Mr. Cheung Kam Min Mickey

NOMINATION COMMITTEE

Mr. Cheung Kam Min Mickey
(*Chairman appointed on 29 July 2016*)

Dr. Yau Bun

Mr. Lo Chi Chiu

Mr. Su Da (*resigned on 29 July 2016*)

AUTHORISED REPRESENTATIVES

Mr. Wong Pong Chun James

Mr. Lau Fan Yu

COMPANY'S WEBSITE

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People's Republic of China

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Hong Kong (with effect from 19 September 2016)

**PRINCIPAL SHARE REGISTRAR
AND TRANSFER OFFICE IN
THE CAYMAN ISLANDS**

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(Cayman) Limited
4th Floor
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Cayman Islands

**HONG KONG BRANCH
SHARE REGISTRAR AND
TRANSFER OFFICE**

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Level 22, Hopewell Centre
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INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

COMPLIANCE ADVISER

Messis Capital Limited
(retired on 31 March 2016)

PRINCIPAL BANKER

Hang Seng Bank Limited

LEGAL ADVISERS

As to Hong Kong law
Orrick, Herrington & Sutcliffe



FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- Revenue for the financial period ended 30 June 2016 (“**1HFY2016**”) decreased from HK\$206.6 million to HK\$130.3 million when compared with the corresponding period of last year (“**1HFY2015**”).
- Gross profit margin for 1HFY2016 decreased from 59.2% to 40.5%. Gross profit for 1HFY2016 decreased from HK\$122.2 million to HK\$52.8 million.
- Loss after tax for 1HFY2016 was HK\$64.6 million, as compared to profit after tax of HK\$10.2 million for 1HFY2015, mainly due to a decrease in revenue of approximately 36.9% from HK\$206.6 million to HK\$130.3 million, and decrease in gross profit of approximately 56.8% from HK\$122.2 million to HK\$52.8 million.
- Basic loss per share was HK18.6 cents for 1HFY2016 and earnings per share was HK2.9 cents for 1HFY2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEWS

Established since 1856 in Switzerland, Ernest Borel has a proud heritage spanning 160 years. Throughout the course of its history and across its operations, Ernest Borel Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) have upheld the principles of producing high-precision “Swiss made” products and implementing stringent quality controls. Under its own brand “Ernest Borel”, the Group engages in the design, production, marketing and sale of mechanical and quartz premium watches. In the first half of 2016, the volatile global economy and ongoing sluggish economic growth in the PRC affected the Group’s business. For the six months ended 30 June 2016, the Group recorded revenue of HK\$130.3 million. The decrease in revenue was mainly due to lackluster consumption sentiment resulting from the uncertain economy as well as the slowdown of the premium watch market in the PRC and Hong Kong as compared to the same period last year, which in turn led to a decrease in orders from watch retailers.

However, the Group has proactively adjusted its strategy during the period to enhance the product design and portfolio to cater for market needs, penetrating into mid- to high-end markets and maintaining its market share. As revenue has decreased, the gross profit and gross profit margin dropped to HK\$52.8 million (2015: HK\$122.2 million) and 40.5% (2015: 59.2%) respectively, and the loss attributable to owners of the Company amounted to HK\$64.6 million.

The PRC

The PRC remains the core market of the Group. As at 30 June 2016, the Group had 804 points of sale (the “**POS**”) in the country. As a result of the slowdown in economic growth in the PRC and weak consumption sentiment amid the uncertain economic conditions, demand for high-end consumer goods dropped during the period. Accordingly, revenue from the PRC segment declined from HK\$153.1 million in the same period last year to HK\$100.4 million for the period ended 30 June 2016, accounting for approximately 77.1% of total revenue.

Hong Kong, Macau and Southeast Asia Markets

As at 30 June 2016, the Group had 182 POS in Hong Kong, Macau and Southeast Asia Markets. The economic downturn in the PRC and the highly volatile global markets have caused Hong Kong retail market to experience a further slowdown. In the first half of the year, the value of total retail sales in Hong Kong recorded the largest half-yearly decline since 1999, which, together with continuously high rental expenses, resulted in segment revenue contracting to HK\$25.5 million during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEWS

Revenue and segment information

Our revenue decreased by HK\$76.3 million, or approximately 36.9% from HK\$206.6 million for 1HFY2015 to HK\$130.3 million for 1HFY2016. The decrease in revenue of mechanical watches and quartz watches were mainly due to deterioration of the premium watch retail market in PRC and Hong Kong as compared to the same period in 2015 leading to a decrease in orders placed by watch retailers.

Performance by major products

	1HFY2016 HKD (in million)	1HFY2015 HKD (in million)	Changes HKD (in million)	%
Mechanical watches	92.1	149.9	(57.8)	-38.6%
Quartz watches	37.5	55.9	(18.4)	-32.9%
Total	129.6	205.8	(76.2)	-37.0%

Mechanical watches

Revenue from sales of mechanical watches decreased by approximately 38.6% from HK\$149.9 million for 1HFY2015 to HK\$92.1 million for 1HFY2016.

Quartz watches

Revenue from sales of quartz watches decreased by approximately 32.9% from HK\$55.9 million for 1HFY2015 to HK\$37.5 million for 1HFY2016.

Performance by geographical location

	1HFY2016 HKD (in million)	1HFY2015 HKD (in million)	Changes HKD (in million)	%
PRC Market	100.4	153.1	(52.7)	-34.4%
Hong Kong, Macau and Southeast Asia Markets	25.5	48.4	(22.9)	-47.3%
Other Markets mainly in United States and Europe	4.4	5.1	(0.7)	-13.7%
Total	130.3	206.6	(76.3)	-36.9%

MANAGEMENT DISCUSSION AND ANALYSIS

The PRC market

The PRC continues to be our major market, representing approximately 77.1% of our revenue for 1HFY2016. Sales in this region showed a decrease of approximately 34.4% from HK\$153.1 million for 1HFY2015 to HK\$100.4 million for 1HFY2016 due to the deterioration of the premium watch retail market in PRC as compared to the same period in 2015 leading to a decrease in orders placed by watch retailers.

Hong Kong, Macau and Southeast Asia markets

Hong Kong, Macau and Southeast Asia markets accounted for approximately 19.6% of our total revenue for 1HFY2016. Sales in this market decreased by approximately 47.3% from HK\$48.4 million for 1HFY2015 to HK\$25.5 million for 1HFY2016. The decrease was mainly attributable to the decline in number of tourists and the deterioration of the premium watch retail market.

Other markets

Revenue from other markets, namely, markets in the United States and Europe recorded a decrease from HK\$5.1 million for 1HFY2015 to HK\$4.4 million for 1HFY2016.

Cost of Sales

Cost of sales decreased by approximately 8.2% from approximately HK\$84.4 million for 1HFY2015 to approximately HK\$77.5 million for 1HFY2016. Reasons which led to the decrease were mainly attributable to decrease in cost of watch components in 1HFY2016.

Gross profit

Our gross profit decreased by HK\$69.4 million or approximately 56.8% from HK\$122.2 million for 1HFY2015 to HK\$52.8 million for 1HFY2016. The decrease in gross profit is mainly attributable to decrease in revenue due to deterioration of the premium watch retail market in the PRC and Hong Kong as compared to the same period in 2015 leading to a decrease in orders placed by watch retailers, and the decline in gross profit margin from 59.2% for 1HFY2015 to 40.5% for 1HFY2016. The decrease in gross profit margin was primarily due to the shift in product mix to lower gross profit margin models under the current weakened consumer sentiment, and the inventory provision increased by HK\$3.1 million from HK\$1.5 million for 1HFY2015 to HK\$4.6 million for 1HFY2016.

Other gains and losses

We recorded other losses of HK\$0.8 million for 1HFY2016 as compared to gains of HK\$4.8 million for 1HFY2015. This was primarily due to the exchange net loss of HK\$1.2 million mainly arising from depreciation of the Renminbi against the Hong Kong dollar and a lower fair value gain on derivative financial instruments of HK\$0.3 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Distribution costs

Our selling and distribution costs increased by HK\$0.6 million or approximately 0.7% from HK\$81.4 million for 1HFY2015 to HK\$82.0 million for 1HFY2016, representing approximately 62.9% of our total revenue for 1HFY2016 (1HFY2015: approximately 39.4%). The increase was primarily attributable to an increase in depreciation of display counters of HK\$3.1 million, which was offset by: (i) a decrease in advertising and marketing expenses of HK\$0.7 million, (ii) a decrease in commission to retailers of HK\$1.3 million, and (iii) a decrease in salaries and other benefit of HK\$0.5 million.

Administrative expenses

Our administrative expenses decreased to HK\$30.3 million for 1HFY2016 from HK\$31.9 million for 1HFY2015, representing a decrease of HK\$1.6 million or approximately 5.0%. The decrease in administrative expenses was primarily due to a decrease in legal and professional fees of HK\$1.5 million and other general office expenses.

Finance costs

Our finance costs increased by HK\$0.8 million or approximately 42.1% from HK\$1.9 million for 1HFY2015 to HK\$2.7 million for 1HFY2016 as a result of an increase in interest rate of both bank borrowings and other borrowings during the six months ended 30 June 2016.

Taxation

Our income tax recorded a marginal decrease from HK\$2.3 million for 1HFY2015 to HK\$2.2 million for 1HFY2016.

(Loss) profit for the period attributable to owners of our Company

We recorded a net loss of HK\$64.6 million for 1HFY2016 as compared to a net profit of HK\$10.2 million for 1HFY2015. This was mainly due to a decrease in revenue of approximately 36.9%.

Inventory

Inventory recorded a marginal decrease from HK\$556.2 million as at 31 December 2015 to HK\$550.3 million as at 30 June 2016.

Trade and other receivables and payables

The Group's trade and other receivables amounted to approximately HK\$127.9 million and approximately HK\$88.6 million as at 31 December 2015 and 30 June 2016 respectively. Such decrease in trade and other receivables is attributable to a decrease in revenue in 1HFY2016.

The Group's trade and other payables increased from approximately HK\$38.3 million as at 31 December 2015 to approximately HK\$44.0 million as at 30 June 2016 resulting primarily from an increase in display counter capital expenditure in 1HFY2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, financial resources and capital structure

As at 30 June 2016, we had non-pledged cash and bank balances of HK\$43.8 million (31 December 2015: HK\$62.3 million). Based on the borrowings of HK\$156.2 million (31 December 2015: HK\$164.1 million) and shareholders' equity of HK\$575.7 million (31 December 2015: HK\$641.4 million), our gearing ratio (being loans divided by shareholders' equity) was approximately 27.1% (31 December 2015: approximately 25.6%). As at 30 June 2016, part of our borrowing amounting to HK\$50.1 million was repayable over one year and the remaining balance amounting to HK\$106.1 million was repayable within one year.

Foreign exchange exposure

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

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

Charge on assets

Our outstanding bank borrowings were secured by:

- (a) charges over our time deposits with a carrying amount of HK\$3.8 million (31 December 2015: HK\$3.8 million); and
- (b) charges over deposits placed for a life insurance policy with a carrying amount of HK\$17.3 million (31 December 2015: HK\$17.0 million).

Material acquisition and disposal of subsidiaries or associated companies

No material acquisition or disposal of any subsidiaries or associated companies was made during 1HFY2016.

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 2016.

Contingent liabilities

We did not have any contingent liabilities as at 30 June 2016 (31 December 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Interim dividend

The board of directors of the Company (the “**Directors**” and the “**Board**”, respectively) has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2016 (1HFY2015: Nil).

Employees and Remuneration Policies

As at 30 June 2016, the Group had a total of 316 full-time employees, representing a decrease of approximately 3.1% compared to 326 employees as at 31 December 2015. Total staff costs for 1HFY2016 decreased to approximately HK\$36.8 million from approximately HK\$39.5 million for 1HFY2015, mainly due to the non-occurrence of equity-settled share-based payment in 1HFY2016.

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 employee performance. Yearly performance appraisals are conducted to ensure that the employees receive feedback on their performance. Our Company has adopted a pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”) and a share option scheme (the “**Share Option Scheme**”) on 24 June 2014, which became effective on 11 July 2014, the date on which the shares of the Company (the “**Shares**”) were initially listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**” and the “**Listing Date**”, respectively). Certain Directors and employees have been granted options under the Pre-IPO Share Option Scheme during FY2014. No option has been granted under the Share Option Scheme during 1HFY2016.

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 commitment

As at 30 June 2016, there were capital commitments in the amount of HK\$1.1 million which represented the balance payment in relation to the acquisition of a parcel of land in Switzerland for our new production facility (31 December 2015: HK\$1.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Prospects

Recent economic data indicates a decline in macroeconomic growth in China, which places negative pressure on the Hong Kong and China retail markets. Due to intense competition and weaker consumption sentiment, prospects for the premium watch industry remain uncertain. Despite such concerns, the Group will consolidate its leading position in the watch market by adopting different measures to improve its core competitiveness as well as enhance its brand image. The Group will also adjust its development strategies based on the changes in the economic environment, so as to cope with market challenges and seize development opportunities in a pragmatic and prudent manner.

With regards to marketing efforts, the Group will promote its brand via online platforms and social media with the objective of reaching target groups at a lower cost yet leaving a more significant impact. The Group will also gradually reduce its reliance on traditional media and turn to new online media platform given it greater flexibility to promote the Group's brand in a cost effective way.

The Group will also implement measures for streamlining its cost structure and continue to employ its proven resources utilisation plan to more efficiently manage and control logistics and inventory. Such measures will further allow the Group to maintain high operational efficiency and reduce inventory costs so as to better control the cost structures and maintain a satisfactory profit level under the adverse operating environment.

Although uncertainties will continue to affect the global economy this year, the Group will not slowdown the development. Leveraging on the ample experience of the management team, the reputation of its "Swiss made" products and stringent quality control measures in place, the Group will proactively formulate strategies that allow it to explore opportunities even in the face of challenges. The Group will continue to sharpen its competitive edge in order to build growth momentum once the economy begins to make a turnaround.

Events after the Reporting Period

With effect from 29 July 2016, Mr. Su Da resigned as an executive director of the Company and chairman of the Board in order to focus on discharging his duty as the chief executive officer of the Company and Mr. Wong Pong Chun James, an executive director of the Company, was appointed as the chairman of the Board on the same date.

With effect from 17 August 2016, Mr. Sit Yau Chiu was appointed as an executive director of the Company.

For details, please refer to the Company's announcements dated 29 July 2016 and 17 August 2016 in relation to the resignation and appointment of the chairman and directors.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE IPO

The ordinary shares of the Company were listed on the Main Board of the Stock Exchange on 11 July 2014 with net proceeds from the global offering of the Company of approximately HK\$173.4 million (after deducting underwriting fees and related expenses).

As set out in the announcement of the Company dated 1 April 2016 (the “**Announcement**”), as of 1 April 2016 the Company has utilized approximately HK\$139.1 million of the net proceeds in the manner as set out in the prospectus of the Company dated 30 June 2014 (the “**Prospectus**”).

As at 30 June 2016, the Company has utilized approximately HK\$155.9 million in the manner as set out in the Prospectus and in the Announcement of the Company dated 1 April 2016 as follows:

Use for	Percentage of net proceeds allocated	Amount of net proceeds allocated (in HK\$million)	Amount utilised (in HK\$million)	Amount remaining (in HK\$million)
Marketing and promotional activities of our brand and watches	45.0%	78.0	(67.2)	10.8
Expanding and enhancing our distribution network	44.8%	77.7	(71.0)	6.7
Capital expenditures on ongoing expansion of our production capacity	0.2%	0.4	(0.4)	–
Providing funding for working capital and other general corporate purposes	10.0%	17.3	(17.3)	–
	100.0%	173.4	(155.9)	17.5

As at 30 June 2016 and the date of this interim report, proceeds not utilized of approximately HK\$17.5 million were deposited into bank accounts with licensed commercial banks. The Directors intend to apply the unused proceeds in the manner as set out in the Announcement of the Company dated 1 April 2016.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2016, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein (the “Register”) or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions of Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

Long Positions in share and underlying shares of the Company

Name of Directors/ Chief Executive	Capacity/Nature of Interest	Number of interested Shares	Approximate percentage of interest in the total issued Shares
Mr. Su Da ⁽⁴⁾	Beneficial owner	1,201,103 ⁽¹⁾	0.35% ⁽²⁾
	Interest in a controlled corporation ⁽³⁾	71,960,000	20.71% ⁽²⁾
Mr. Wong Pong Chun James	Beneficial owner	339,507 ⁽¹⁾	0.10% ⁽²⁾
Ms. Liu Libing	Beneficial owner	610,662	0.18% ⁽²⁾

(1) 1,101,103 share options granted under the Pre-IPO Share Option Scheme.

(2) Calculated based on the number of issued Shares as at 30 June 2016.

(3) Force Field Limited (“Force Field”) is owned as to 100% by Mr. Su Da and controlled by Mr. Su Da. Mr. Su Da is therefore deemed to be interested in the Shares held by Force Field.

(4) Force Field, a company wholly-owned by Mr. Su Da, had entered into a sale and purchase agreement to dispose of 68,800,000 shares in the Company, which was completed on 29 July 2016. For details, please refer to the announcement of the Company dated 29 July 2016.

Save as disclosed above, as at 30 June 2016, none of the Directors and the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) with had been notified to the Company and the Stock Exchange or as recorded in the Register or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2016, the following persons/entities other than the Directors or the chief executive of the Company had or were deemed or taken to have interests and short positions in the Shares and underlying Shares of the Company recorded in the register of interests and short positions of substantial shareholders (the “**Register of substantial shareholders**”) required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long Position in the Shares

Name of Shareholders	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of interest in the total issued Shares
Sense Control International Limited ⁽¹⁾	Beneficial owner	99,755,000	28.71%
Mr. Lin Siyu ⁽¹⁾	Interest in a controlled corporation	99,755,000	28.71%
Force Field	Beneficial owner	71,960,000	20.71%
Surplus Union Investments Limited	Beneficial owner	37,935,000	10.93%
Mr. Chan Kin Sun ⁽²⁾	Interest in a controlled corporation	37,935,000	10.93%
Dragon Cloud Holdings Limited ⁽³⁾	Beneficial owner	33,720,000	9.72%
Greenwoods Bloom Fund, L.P. ⁽³⁾	Interest in a controlled corporation	33,720,000	9.72%
Greenwoods Bloom Ltd. ⁽⁴⁾	Interest in controlled corporations	33,720,000	9.72%
Skyeast Global Limited ⁽⁴⁾	Interest in controlled corporations	33,720,000	9.72%
Ms. Tang Hua ⁽⁴⁾	Interest in controlled corporations	33,720,000	9.72%

(1) Sense Control International Limited is wholly owned and controlled by Mr. Lin Siyu. Mr. Lin Siyu is therefore deemed to be interested in the shares held by Sense Control International Limited.

(2) Surplus Union Investments Limited is wholly owned and controlled by Mr. Chan Kin Sun. Mr. Chan Kin Sun is therefore deemed to be interested in the shares held by Surplus Union Investments Limited.

(3) Dragon Cloud Holdings Limited is owned as to 87.26% by Greenwoods Bloom Fund, L.P. and 12.74% by Ms. Tang Hua.

- (4) Greenwood Bloom Ltd. is the general partner of Greenwood Bloom Fund, L.P. Greenwood Bloom Ltd. is wholly owned by Ms. Tang Hua. Greenwood Bloom Fund, L.P. is then owned as to 47% by Skyeast Global Limited and controlled by Skyeast Global Limited. Skyeast Global Limited is wholly owned by Ms. Tang Hua. Each of Greenwood Bloom Fund, L.P., Greenwood Bloom Ltd., Skyeast Global Limited and Ms. Tang Hua is therefore deemed to be interested in the Shares held by Dragon Cloud Holdings Limited.

Save as disclosed above, as at 30 June 2016, the Directors were not aware of any other persons/entities (other than a Director or the chief executive of the Company) who/which had any interest or short position in the Shares and underlying Shares of the Company which were required to be recorded in the Register of substantial shareholders under section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME

The Pre-IPO Share Option Scheme was conditionally adopted by our Company on 24 June 2014 and became effective upon the Listing Date for the purpose of aiding us in recruiting and retaining key employees, directors or consultants of outstanding ability and to reward such employees, directors or consultants to exert their best efforts on behalf of the Company through the granting of options. The principal terms of the Pre-IPO Share Option Scheme were summarised in the section headed “Statutory and General Information — F. Pre-IPO Share Option Scheme” of Appendix IV to the Prospectus of the Company dated 30 June 2014 (the “**Prospectus**”).

Details of the options granted under the Pre-IPO Share Option Scheme are as follows:

- (a) there were tranche 1 and tranche 2 options to subscribe for an aggregate of 6,821,339 Shares, where were granted to the grantees on 24 June 2014 under the Pre-IPO Share Option Scheme;
- (b) (i) 2,319,659 underlying Shares were comprised in the tranche 1 options with an exercise price of HK\$2.40 per Share; and
- (ii) the tranche 1 options were vested on 11 July 2014. Such options were exercisable from 11 July 2014 to 11 July 2016,
- (collectively, the “**Tranche 1 Option**”); and
- (c) (i) 4,501,680 underlying Shares were comprised in the tranche 2 options with an exercise price of HK\$3.00 per Share; and
- (ii) the tranche 2 options were vested on 11 July 2015. Such options are exercisable from 11 July 2015 to 11 July 2017,
- (collectively, the “**Tranche 2 Option**”).

No further options will be granted under the Pre-IPO Share Option Scheme.

DISCLOSURE OF INTERESTS

Details of the movements of the Tranche 1 Options⁽¹⁾ and Tranche 2 Option⁽²⁾ granted under the Pre-IPO Share Option Scheme as at 30 June 2016 are as follows:

Grantees	Tranche	Exercise price per Share	Balance as at 1 January 2016	Exercised from 1 January to 30 June 2016	Cancelled/lapsed during the six months ended 30 June 2016 (the "Period")	Balance as at 30 June 2016
Directors						
Mr. Su Da ⁽³⁾	1	HK\$2.40	440,441	-	-	440,441
	2	HK\$3.00	660,662	-	-	660,662
Mr. Wong Pong Chun James	1	HK\$2.40	137,638	-	-	137,638
	2	HK\$3.00	201,869	-	-	201,869
Ms. Liu Libing	1	HK\$2.40	214,265	-	-	214,265
	2	HK\$3.00	396,397	-	-	396,397
Sub-total			2,051,272	-	-	2,051,272
Other employees	1	HK\$2.40	1,089,335	-	-	1,089,335
	2	HK\$3.00	2,609,617	-	-	2,609,617
Total			5,750,224	-	-	5,750,224

Notes:

- (1) Tranche 1 Options vested on 11 July 2014
- (2) Tranche 2 Options vested on 11 July 2015
- (3) Mr. Su Da resigned as a Director with effect from 29 July 2016

Saved as disclosed above, no options were granted or cancelled or lapsed during the Period under the Pre-IPO Share Option Scheme.

The total number of shares available for issue under the Pre-IPO Share Option Scheme is 5,750,224, representing approximately 1.66% and 1.66% of the Company's issued shares as at 30 June 2016 and the date of this interim report.

Further details of the Pre-IPO Share Option Scheme are set out in note 21 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 24 June 2014, which was effective upon the Listing Date. The purpose of the Share Option Scheme is to help motivate eligible persons to optimize their future performance and efficiency to the Group and/or reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 34,700,000 shares, representing approximately 9.99% of the issued share capital as at the date of this interim report.

No option may be granted to any participant of the Share Option Scheme such that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company’s issued share capital from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

- (a) the nominal value of a share;
- (b) the closing price of a share as stated in the Stock Exchange’s daily quotations sheets on the offer date; and
- (c) the average closing price of a share as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the adoption date, after which no further options will be granted or offered.

From the date on which the Share Option Scheme became effective and unconditional, and up to the date of this report, no share options were granted, exercised or cancelled or lapsed under the Share Option Scheme.

Further details of the Share Option Scheme are summarised in the section headed “Statutory and General Information — G. Share Option Scheme” of Appendix IV to the Prospectus.



CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Code provision A.6.7 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”) provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Pan Di, a non-executive Director, was unable to attend the Company’s annual general meeting held on 17 June 2016 due to other business engagements.

Save as disclosed above, the Board is of the view that the Company has complied with all code provisions as set out in the Corporate Governance Code throughout the six months ended 30 June 2016.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has since 24 June 2014 adopted the Model Code as set out in Appendix 10 to the Listing Rules 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 throughout the six months ended 30 June 2016.

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 24 June 2014, our Board established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of 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.

The Audit Committee comprises all of our three independent non-executive Directors, namely Mr. Lo Chi Chiu, Mr. Cheung Kam Min Mickey and Dr. Yau Bun, with Mr. Lo Chi Chiu being the chairman of the Audit Committee. Our unaudited interim results and the interim report for the six months ended 30 June 2016 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.



CORPORATE GOVERNANCE AND OTHER INFORMATION

Our condensed consolidated financial statements for the six months ended 30 June 2016 have been reviewed by Deloitte Touche Tohmatsu, certified public accountants in Hong Kong, the independent auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2016.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF ERNEST BOREL HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Ernest Borel Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 22 to 42, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	NOTES	For the six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	130,322	206,623
Cost of sales		(77,478)	(84,389)
Gross profit		52,844	122,234
Other gains and losses	4	(790)	4,793
Other income	5	552	673
Distribution expenses		(82,038)	(81,412)
Administrative expenses		(30,316)	(31,918)
Finance costs	6	(2,711)	(1,874)
(Loss) profit before tax		(62,459)	12,496
Income tax expense	7	(2,160)	(2,285)
(Loss) profit for the period	8	(64,619)	10,211
Other comprehensive (expense) income			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit scheme		(2,419)	–
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		1,327	9,984
Other comprehensive (expense) income for the period		(1,092)	9,984
Total comprehensive (expense) income for the period		(65,711)	20,195
(Loss) earning per share — (expressed in HK cents)			
Basic	10	(18.60)	2.94
Diluted	10	(18.60)	2.94

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	77,209	76,398
Deposits placed for life insurance policies		17,303	17,023
Deferred tax assets		7,334	8,277
		101,846	101,698
CURRENT ASSETS			
Inventories		550,270	556,196
Derivative financial instruments		–	769
Trade and other receivables	12	88,618	127,885
Amounts due from related parties	13	37	143
Tax recoverable		7,849	8,607
Pledged bank deposits		3,835	3,832
Bank balances and cash		43,769	62,325
		694,378	759,757
CURRENT LIABILITIES			
Trade and other payables	14	44,002	38,341
Tax payable		–	9
Loan from a substantial shareholder	15	20,000	–
Bank and other borrowings	16	136,233	164,089
		200,235	202,439
NET CURRENT ASSETS		494,143	557,318
TOTAL ASSETS LESS CURRENT LIABILITIES		595,989	659,016
NON-CURRENT LIABILITIES			
Deferred tax liabilities		10,846	11,521
Pension obligation		9,450	6,091
		20,296	17,612
NET ASSETS		575,693	641,404
CAPITAL AND RESERVES			
Share capital	17	3,474	3,474
Reserves		572,219	637,930
Total equity		575,693	641,404

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share capital	Share premium	Other reserve	Share option reserve	Actuarial gain and loss reserve	General reserve	Translation reserve	Retained profits	Total
	HKD'000	HKD'000	HKD'000 (note 1)	HKD'000	HKD'000	HKD'000 (note 2)	HKD'000	HKD'000	HKD'000
At 1 January 2015 (audited)	3,474	182,099	15,500	3,233	(2,809)	1,547	1,282	478,169	682,495
Profit for the period	-	-	-	-	-	-	-	10,211	10,211
Other comprehensive income for the period	-	-	-	-	-	-	9,984	-	9,984
Total comprehensive income for the period	-	-	-	-	-	-	9,984	10,211	20,195
Recognition of equity-settled share based payments	-	-	-	1,430	-	-	-	-	1,430
Dividends recognised as distribution (note 9)	-	-	-	-	-	-	-	(27,795)	(27,795)
At 30 June 2015 (unaudited)	3,474	182,099	15,500	4,663	(2,809)	1,547	11,266	460,585	676,325
At 1 January 2016 (audited)	3,474	182,099	15,500	4,750	(4,161)	1,547	(263)	438,458	641,404
Loss for the period	-	-	-	-	-	-	-	(64,619)	(64,619)
Other comprehensive (expense) income for the period	-	-	-	-	(2,419)	-	1,327	-	(1,092)
At 30 June 2016 (unaudited)	3,474	182,099	15,500	4,750	(6,580)	1,547	1,064	373,839	575,693

Notes:

- Other reserve of HK\$15,500,000 represents amount arising from capitalisation of loans from shareholders due by Ernest Borel (Far East) Company Limited ("EB Far East"), a subsidiary of the Company in 2005.
- General reserves represent the legal reserve being allocated from the retained profits of Ernest Borel S.A. ("**EB Switzerland**") and Ernest Borel (Guangzhou) Trading Co., Ltd ("**EB (GZ)**"), the subsidiaries of the Company, as required under the relevant legislation of Switzerland and the People's Republic of China (the "**PRC**"), respectively. According to the relevant legislation, EB Switzerland has allocated to the general reserve until this reserve reached 50% of its share capital. For the legal reserve in the PRC, it represented the statutory surplus reserve of EB (GZ).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016	2015
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	7,565	(25,857)
INVESTING ACTIVITIES		
Additions of property, plant and equipment	(15,830)	(8,630)
Proceeds from disposal of property, plant and equipment	80	–
Interest received	38	231
Deposit placed for a life insurance contract paid	–	(2,984)
Repayment from related parties	–	23
NET CASH USED IN INVESTING ACTIVITIES	(15,712)	(11,360)
FINANCING ACTIVITIES		
Repayment of bank loans	(79,235)	(76,415)
Interest paid	(2,567)	(1,874)
New bank and other borrowing raised	51,379	123,094
Advances from a substantial shareholder	20,000	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(10,423)	44,805
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(18,570)	7,588
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	62,325	141,285
Effect of foreign exchange rate changes	14	1,392
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	43,769	150,265

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the International Accounting Standards 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board (“**IASB**”) as well as the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange (the “**Listing Rules**”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for defined benefit scheme, which are measured at fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards (“**IFRSs**”) issued by IASB that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operation
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvement to IFRSs 2012–2014 Cycle

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received or receivable for the sales of watches products, less returns and trade discounts, during the interim period.

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

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Mechanical watches	92,088	149,888
Quartz watches	37,501	55,877
Others	733	858
	130,322	206,623

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers determined based on the location of customers, and (ii) the Group's non-current assets (which exclude deposits placed for life insurance policies and deferred tax assets) based on the location of assets.

	Revenue from external customers	
	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PRC	100,425	153,070
Hong Kong and Macau	12,357	38,232
Southeast Asia	13,109	10,164
Others	4,431	5,157
	130,322	206,623

	Non-current assets	
	As at	As at
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
PRC	38,115	35,357
Hong Kong and Macau	5,385	6,717
Switzerland	33,709	34,324
	77,209	76,398

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

4. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2016 HKD'000 (Unaudited)	2015 HKD'000 (Unaudited)
Fair value gain on derivative financial instruments	285	2,184
Gain on disposal of property, plant and equipment	75	–
Exchange (loss) gain, net	(1,150)	2,958
Allowance for doubtful debts	–	(349)
	(790)	4,793

5. OTHER INCOME

	For the six months ended 30 June	
	2016 HKD'000 (Unaudited)	2015 HKD'000 (Unaudited)
Interest on life insurance contracts	346	166
Bank interest	41	234
Maintenance services	63	78
Sundry	102	195
	552	673

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

6. FINANCE COSTS

	For the six months ended 30 June	
	2016	2015
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Interest on:		
Bank borrowings	2,487	1,874
Other borrowing	178	–
Loan from a substantial shareholder	46	–
	2,711	1,874

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax (note i)	–	2,072
Switzerland income tax (note ii)	1,449	3,170
PRC Enterprise Income Tax (note iii)	–	256
	1,449	5,498
Deferred tax charge (credit)	711	(3,213)
Income tax expense for the period	2,160	2,285

Notes:

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods.

(ii) Switzerland

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 2015: 8.5%) and Cantonal Communal Tax ("CCT") of 16.55% (six months ended 30 June 2015: 16.55%).

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.

(iii) PRC

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%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

8. (LOSS) PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) profit for the period has been arrived at after charging:		
Allowance for inventories	4,563	1,527
Cost of inventories recognised as expenses	62,709	67,030
Depreciation of property, plant and equipment	21,334	19,136
Operating lease rental in respect of rented premises	13,409	12,895

9. DIVIDEND

	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividend recognised as distribution:		
— 2014 Final, proposed — HK8 cents per share	—	27,795

No dividend has been proposed or paid for ordinary shareholders of the Company during the period ended 30 June 2016, nor has any dividend been proposed since the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

10. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) earnings		
(Loss) earnings of the Company for the purposes of basic and diluted (loss) earnings per share		
((loss) profit for the period attributable to owners)	(64,619)	10,211
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	347,437,000	347,437,000
Effect of dilutive potential ordinary shares on share options	–	18,000
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	347,437,000	347,455,000

There were no potential ordinary shares outstanding during the period ended 30 June 2016 and as at 30 June 2015.

11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2016, the Group acquired property, plant and equipment of HKD21,809,000 (six months ended 30 June 2015: HKD14,056,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Trade receivables	68,539	107,109
Less: allowance for doubtful debts	(863)	(2,837)
	67,676	104,272
Other receivables	966	1,413
Other tax recoverable	2,316	3,019
Prepayment	10,391	13,301
Deposits	7,269	5,880
	20,942	23,613
	88,618	127,885

The Group allows credit period ranging from 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance of doubtful debts, presented based on the invoice date which approximates the respective revenue recognition dates:

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
0-90 days	41,431	87,985
91-180 days	18,006	8,660
181-270 days	3,232	3,133
Over 270 days	5,007	4,494
	67,676	104,272

13. AMOUNTS DUE FROM RELATED PARTIES

The amounts are unsecured, interest-free and repayable on demand. No collateral is held over these balances by the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

14. TRADE AND OTHER PAYABLES

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Trade payables	20,385	19,353
Other payable	14,000	8,339
Accruals	9,617	10,649
	44,002	38,341

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

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
1–30 days	9,090	7,072
31–60 days	6,482	8,479
Over 60 days	4,813	3,802
	20,385	19,353

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

15. LOAN FROM A SUBSTANTIAL SHAREHOLDER

On 24 June 2016, the Company entered into a loan agreement with Mr. Chan Kin Sun a substantial shareholder of the Company, pursuant to which Mr. Chan Kin Sun (as the lender) has agreed to provide the Company (as the borrower) an unsecured loan amounting to HK\$20,000,000. The Company shall repay the loan and interest accrued thereon in full on or before 30 December 2016.

The effective interest rate of the loan from a substantial shareholder is 12% per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

16. BANK AND OTHER BORROWINGS

	As at 30 June 2016 HKD'000 (Unaudited)	As at 31 December 2015 HKD'000 (Audited)
Bank loan	84,854	108,416
Import trade loans	41,379	55,673
Other borrowing	10,000	–
	136,233	164,089
Analysed as:		
Secured	122,633	159,289
Unsecured	13,600	4,800
	136,233	164,089

During the period ended 30 June 2016, the Group obtained additional bank borrowings of HK\$41,379,000 (six months ended 30 June 2015: HK\$123,094,000) and repaid bank borrowings of HK\$79,235,000 (six months ended 30 June 2015: HK\$76,415,000).

All the Group's bank borrowings are variable-rate borrowings which carry interest at Hong Kong Interbank Offered Rate or London Interbank Offered Rate plus certain basis points. Interest is repricing every six months and the effective interest rates is ranging from 1.77% to 3.76% per annum for the period ended 30 June 2016 (six months ended 30 June 2015: 2.19% to 4.34% per annum).

Details of assets that have been pledged as collateral to secure bank borrowings are set out in note 20.

A subsidiary of the Company, entered into a loan agreement with an independent third party pursuant to which the independent third party (as the lender) has agreed to provide the subsidiary (as the borrower) an unsecured loan amounting to HK\$10,000,000. The subsidiary shall repay the loan and interest accrued thereon in full on or before 30 November 2016. The effective interest rate of the other borrowing is 12% per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

17. SHARE CAPITAL

	Number of ordinary shares '000	Par value HK\$	Amount HK\$'000
Authorised:			
At 1 January 2015, 30 June 2015, 31 December 2015 and 30 June 2016	10,000,000	0.01	100,000
Issued and fully paid:			
At 1 January 2015, 30 June 2015, 31 December 2015 and 30 June 2016	347,437	0.01	3,474

Details of the exercise of Pre-IPO share option scheme are set out in note 21.

All the shares issued rank pari passu with the existing shares in all respect.

18. CAPITAL COMMITMENTS

At the end of the reporting period, the Group has the following capital commitment:

	As at 30 June 2016 HKD'000 (Unaudited)	As at 31 December 2015 HKD'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	1,083	1,073

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

19. OPERATING LEASE COMMITMENT

At the end of the interim period, the Group had commitments for future minimum lease payments for premises under non-cancellable operating leases which fall due:

	As at 30 June 2016 HKD'000 (Unaudited)	As at 31 December 2015 HKD'000 (Audited)
Within one year	24,075	22,016
In the second to fifth years inclusive	14,269	15,268
	38,344	37,284

Included in the above is future lease payments with a related party of HK\$749,000 (31 December 2015: HK\$952,000) and the Group has commitments for future minimum lease payments for premises under non-cancellable operating leases, which fall due is follows:

	As at 30 June 2016 HKD'000 (Unaudited)	As at 31 December 2015 HKD'000 (Audited)
Within one year	418	423
In the second to fifth years inclusive	331	529
	749	952

Operating lease payments represent rentals payable by the Group for its office and shops operated by retailers. Leases are negotiated for terms ranging from one year to three years with fixed monthly rentals.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

20. PLEDGE OF ASSETS

The Group's bank borrowings are secured by:

	As at 30 June 2016 HKD'000 (Unaudited)	As at 31 December 2015 HKD'000 (Audited)
Fixed charges over time deposits	3,835	3,822
Fixed charges over deposits placed for life insurance policies	17,303	17,023

21. SHARE-BASED PAYMENT TRANSACTIONS

The Company's pre-IPO share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 24 June 2014, which will expire on 24 June 2024. The Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that the eligible participants under the Scheme have or may have made to the Company.

The eligible participants include any full-time or part-time employees, executives or officers (including executive, non-executive and independent non-executive directors) of the Company, or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the opinion of the directors of the Company, will contribute or have contributed to the Company and/or any of its subsidiaries.

At 30 June 2016, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 5,750,224 shares (31 December 2015: 5,750,224 shares), representing 1.66% (31 December 2015: 1.66%) of the shares of the Company in issue at that date. Without prior approval from the Company's shareholder, (i) the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time; (ii) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time; and (iii) options in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million may not be granted to substantial shareholders or independent non-executive directors.

Upon acceptance of the share option, the grantee shall pay HK\$1 to the Company by way of consideration for the grant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

21. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Details of the options granted under the Scheme are as follows:

Tranche	Date of grant	Vesting period	Exercisable period	Exercise price	Fair value at
				per share	grant date
				HK\$	HK\$
1	24.6.2014	24.6.2014–11.7.2014	11.7.2014–11.7.2016	2.40	0.9159
2	24.6.2014	24.6.2014–11.7.2015	11.7.2015–11.7.2017	3.00	0.7822

The following table shows the movements in the Company's share options granted:

Type of participant	Tranche	Exercise price	Outstanding at
			30 June 2016
		HK\$	1 January 2015, 31 December 2015 and
Director	1	2.40	792,344
	2	3.00	1,258,928
			2,051,272
Employee	1	2.40	1,089,335
	2	3.00	2,609,617
			3,698,952
			5,750,224

During the interim period, there is no grant, exercise and lapse of share option.

During the period ended 30 June 2016, based on the directors' best estimate, there is no change to the variables and assumptions used in computing the fair value of the share options at grant date. During the period ended 30 June 2015, the Group recognised the total expense of HK\$1,430,000 in relation to share options granted by the Company (six months ended 30 June 2016: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

22. RELATED PARTY DISCLOSURES

- (i) During the interim period, the Group entered into following transactions with related parties:

Name of related company	Relationship	Nature of transaction	For the six months period ended 30 June	
			2016 HKD'000 (Unaudited)	2015 HKD'000 (Unaudited)
Mr. Su Ran	Brother of one of the director/senior management	Rental expense	213	172
Mr. Chan Kin Sun	Substantial shareholder	Interest expense	46	–

- (ii) Amounts due from (to) related parties and loan from a substantial shareholder are disclosed in the condensed consolidated statements of financial position and in note 13 and note 15 respectively.
- (iii) A director, who has resigned as a director of the Group on 29 July 2016 and continues to be the senior management of the Group, and a former director of the Group, have provided guarantees to a bank amounting to HK\$3,600,000 (31 December 2015: HK\$4,800,000) in aggregate as at 30 June 2016 to secure a banking facility granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

22. RELATED PARTY DISCLOSURES *(Continued)*

- (iv) The remuneration paid and payable to the members of key management, who are the directors and the five highest paid individuals during the current period is as follows:

	For the six months ended 30 June	
	2016	2015
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Short term benefits	3,304	3,454
Post employment benefits	117	31
Equity-settled share-based payments	–	564
	3,421	4,049

The remuneration of key executives who were the directors and other members of key management personnel are determined by reference to the performance of individuals and market trends.