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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)**

### **CHANGE IN USE OF PROCEEDS**

Reference is made to the prospectus of Ernest Borel Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 June 2014 (the “**Prospectus**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

#### **USE OF PROCEEDS**

As set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company had intended to use the net proceeds from the Global Offering for the following purposes:

- approximately 35.0% of the net proceeds for marketing and promotional activities of our brand and watches;
- approximately 35.0% of the net proceeds for expanding and enhancing our distribution network;
- approximately 20.0% of the net proceeds for capital expenditures on ongoing expansion of our production capacity;
- approximately 10.0% of the net proceeds for providing funding for working capital and other general corporate purposes.

## CHANGE IN USE OF PROCEEDS

The net proceeds from the Global Offering were approximately HK\$173.4 million. As at the date of this announcement, the Company has utilized approximately HK\$139.1 million of the net proceeds.

On 1 April 2016, the Board resolved to change the proposed use of the net proceeds from the Global Offering by reallocating the remaining net proceeds originally intended for capital expenditures on ongoing expansion of our production capacity to (i) marketing and promotional activities of our brand and watches; and (ii) to expand and enhance our distribution network. Details of the original allocation of the net proceeds, the revised allocation of the net proceeds, and the utilisation of the net proceeds as at the date of this announcement are summarised below:

| Uses   | <b>Original<br/>allocation</b><br><i>HK\$ million</i> | <b>Revised<br/>allocation</b><br><i>HK\$ million</i> | <b>Utilisation<br/>as at the<br/>date of this<br/>announcement</b><br><i>HK\$ million</i> | <b>Remaining<br/>balance<br/>after<br/>revised<br/>allocation</b><br><i>HK\$ million</i> |
|--|---|--|---|--|
| Marketing and promotional activities of our brand and watches              | 60.7  | 78.0   | 60.7  | 17.3   |
| Expanding and enhancing our distribution network                           | 60.7  | 77.7   | 60.7  | 17.0   |
| Capital expenditures on ongoing expansion of our production capacity       | 34.7  | 0.4  | 0.4   | —  |
| Providing funding for working capital and other general corporate purposes | 17.3  | 17.3   | 17.3  | —  |
|  | <u>173.4</u>  | <u>173.4</u>   | <u>139.1</u>  | <u>34.3</u>  |

## REASONS FOR THE CHANGES IN USE OF PROCEEDS

In view of the continuous slow-down in the economic growth of PRC and the overall retail market, we expect an easing of consumer spending and consider that our current in-house production capacity and our ability to outsource to external service providers, where necessary, will be sufficient to fulfil the current market demand. A more imminent need of the Group is to generate additional market demand for our products and to boost sales. Accordingly, the Board considers that the reallocation of the unutilized net proceeds of approximately HK\$34.3 million originally allocated to capital expenditures on on-going expansion of our production capacity to (i) marketing and promotional activities of our brand and watches and (ii) expanding and enhancing our distribution network, will enable the Group to deploy its financial resources more effectively and is more in line with the current needs of the Group.

The Board considers that the above change of the use of the IPO proceeds is beneficial to the continuous development of the Group's principal business, and is in the interests of the Company and its shareholders as a whole.

Save for the aforesaid changes, there has been no other change in the use of the net proceeds from listing.

By Order of the Board  
**Ernest Borel Holdings Limited**  
**SU Da**  
*Chairman*

Hong Kong, 1 April 2016

*As at the date of this announcement, the Directors are:*

|   |   |
|---|---|
| <i>Executive Directors:</i>                 | Mr. Su Da (Chairman), Mr. Wong Pong Chun James and Ms. Liu Libing |
| <i>Non-executive Directors:</i>             | Mr. Chan Kwan Pak Gilbert and Mr. Pan Di                          |
| <i>Independent non-executive directors:</i> | Mr. Lo Chi Chiu, Mr. Cheung Kam Min Mickey and Dr. Yau Bun        |