ERNEST BOREL
1856

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 2016

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 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.

RESULTS

The board of directors (the "**Board**") of Ernest Borel Holdings Limited (the "**Company**") announces the unaudited condensed consolidated results of our Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2016 as follows:

CONDENSED CONSOLIDATED STATEMENTS 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		**(790)**	4,793
Other income		**552**	673
Distribution expenses		**(82,038)**	(81,412)
Administrative expenses		**(30,316)**	(31,918)
Finance costs		**(2,711)**	(1,874)
(Loss) profit before tax		**(62,459)**	12,496
Income tax expense	4	**(2,160)**	(2,285)
(Loss) profit for the period	5	**(64,619)**	10,211
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit scheme		**(2,419)**	–
Item that may be subsequently reclassified to profit or loss:			
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	6	**(18.60)**	2.94
Diluted	6	**(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		**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	*8*	**88,618**	127,885
Amounts due from related parties		**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	*9*	**44,002**	38,341
Tax payable		**–**	9
Loan from a substantial shareholder		**20,000**	–
Bank and other borrowings		**136,233**	164,089
		200,235	202,439
Net current assets		**494,143**	557,318
Total assets less current liabilities		**595,989**	659,016

	As at 30 June 2016 *HK$'000* (Unaudited)	As at 31 December 2015 *HK$'000* (Audited)
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	**3,474**	3,474
Reserves	**572,219**	637,930
Total equity	**575,693**	641,404

NOTES

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.

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 and results are therefore the same as the amount presented in the condensed consolidated statement of profit or loss and other comprehensive income. 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

Geographical information

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

	Revenue from external customers For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
People's Republic of China ("**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

4. INCOME TAX EXPENSE

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

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

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.

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%.

5. (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

6. (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.

7. 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.

8. TRADE AND OTHER RECEIVABLES

	As at 30 June 2016	As at 31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(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 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

9. 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.

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, the Group has 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 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 ("**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.

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%

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 fair value gain on derivative financial instruments of HK$0.3 million.

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 fee 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.

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).

Interim dividend

The Board has resolved not to declare 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 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).

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.

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, 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 ("**Prospectus**").

As of 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**	**Amount of net proceeds** *(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 of 30 June 2016 and the date of this announcement, 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.

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.

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 purchases, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

By the order of the Board
Ernest Borel Holdings Limited
Wong Pong Chun James
Chairman and Executive Director

Hong Kong, 30 August 2016

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

Executive Directors:
Mr. Wong Pong Chun James *(Chairman)*
Ms. Liu Libing
Mr. Sit Yau Chiu

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