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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)

2021 ANNUAL RESULTS ANNOUNCEMENT

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Ernest Borel Holdings Limited (the “**Company**” or “**Ernest Borel**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020.

FINANCIAL AND OPERATION HIGHLIGHTS

- Turnover for the financial year ended 31 December 2021 (“**FY2021**”) increased from approximately HK\$122.6 million to approximately HK\$149.3 million when compared with the financial year ended 31 December 2020 (“**FY2020**”).
- Gross profit margin increased from approximately 59.5% for FY2020 to approximately 60.9% for FY2021. Gross profit increased from approximately HK\$73.0 million for FY2020 to approximately HK\$90.8 million for FY2021.
- Loss attributable to the owners of the Company for FY2021 was approximately HK\$31.8 million (FY2020: Profit of approximately HK\$1.3 million).
- Loss per share for FY2021 was approximately HK\$9.16 cents (FY2020: Earnings per share was approximately HK\$0.38 cent).
- The Board has resolved not to recommend any payment of a final dividend for FY2021 (FY2020: Nil).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Revenue	3	149,252	122,596
Cost of sales		<u>(58,417)</u>	<u>(49,611)</u>
Gross profit		90,835	72,985
Other gains and losses, net		1,516	15,092
Other income		121	3,326
Distribution expenses		(67,067)	(45,313)
Administrative expenses		(44,654)	(39,614)
Finance costs		<u>(13,524)</u>	<u>(11,700)</u>
Loss before tax	4	(32,773)	(5,224)
Income tax credit	5	<u>950</u>	<u>6,551</u>
(Loss)/profit for the year attributable to owners of the Company		<u>(31,823)</u>	<u>1,327</u>
Other comprehensive income			
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
Remeasurement of net defined benefit obligations		281	(1,373)
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(7,527)</u>	<u>11,462</u>
Other comprehensive income for the year		<u>(7,246)</u>	<u>10,089</u>
Total comprehensive income for the year attributable to owners of the Company		<u><u>(39,069)</u></u>	<u><u>11,416</u></u>
(Loss)/earnings per share			
— Basic and diluted (Hong Kong cents)	7	<u><u>(9.16)</u></u>	<u><u>0.38</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		39,420	40,330
Rental deposits	8	881	955
		40,301	41,285
CURRENT ASSETS			
Inventories		372,676	359,609
Trade and other receivables	8	46,821	54,046
Restricted bank deposits		–	1,354
Bank balances and cash		7,585	18,402
		427,082	433,411
CURRENT LIABILITIES			
Trade and other payables	9	38,470	24,200
Tax payable		1,453	2,585
Lease liabilities		5,101	4,900
Amount due to a related party	10	1,590	5,376
Amounts due to fellow subsidiaries	10	248,444	217,883
Amounts due to directors	10	17,215	17,000
Bank borrowings		12,217	19,384
		324,490	291,328
NET CURRENT ASSETS		102,592	142,083
TOTAL ASSETS LESS CURRENT LIABILITIES		142,893	183,368

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Lease liabilities	8,436	8,330
Bank borrowings	3,490	4,397
Deferred tax liabilities	14,069	14,266
Pension obligations	4,123	4,531
	<u>30,118</u>	<u>31,524</u>
NET ASSETS	<u>112,775</u>	<u>151,844</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	3,474	3,474
Reserves	109,301	148,370
TOTAL EQUITY	<u>112,775</u>	<u>151,844</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL

Ernest Borel Holdings Limited (the “**Company**”) is an exempted company with limited liability incorporated in the Cayman Islands. The Company’s shares listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Company’s ultimate holding company is Citychamp Watch & Jewellery Group Limited, a limited liability company incorporated in the Cayman Islands with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company’s addresses of the registered office is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and its principal place of business is Units 1612–18, Level 16, Tower I, Grand Century Place, 193 Prince Edward Road West, Mongkok, Kowloon, Hong Kong.

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in designing, manufacturing, marketing and selling of Swiss-made mechanical and quartz premium watches.

2. APPLICATION OF NEW OR AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

(a) Adoption of new or amended IFRSs — effective 1 January 2021

In the current year, the Group has applied the following new or amended IFRSs issued by the International Accounting Standards Board (“**IASB**”) which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2021:

Amendments to IAS 39, IFRS 4, IFRS 7, Interest Rate Benchmark Reform — Phase 2
IFRS 9 and IFRS 16

The application of these new or amended IFRSs has no material impact on the Group’s results and financial position for the current or prior period.

(b) New and amended IFRSs in issue but not yet effective

The following new or amended IFRSs, potentially relevant to the Group's consolidated financial statements, have been issued but are not yet effective and have not been early adopted by the Group.

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendment to IAS 1	Classification of liabilities as Current or Non-Current ³
Amendments to IAS 8	Definition of Accounting Estimates ³
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction ³
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to IFRS 3	References to Conceptual Framework ²
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received or receivable for the sale of watches, less returns and trade discounts, during the year. The revenue of the Group are recognised at point in time.

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

Geographical information

The following table set out information about the geographical location of (i) the Group's revenue from external customers based on the location of customers, and (ii) the Group's non-current assets (which exclude the non-current financial assets) based on the location of the assets.

	Revenue from external customers	
	2021	2020
	HK\$'000	HK\$'000
The People's Republic of China (the "PRC")	146,021	118,799
Hong Kong and Macau	1,890	1,005
Others (mainly in Southeast Asia and Europe)	1,341	2,792
	<u>149,252</u>	<u>122,596</u>

	Non-current assets	
	2021	2020
	HK\$'000	HK\$'000
The PRC	15,582	11,906
Hong Kong	6,591	9,291
Switzerland	17,247	19,133
	<u>39,420</u>	<u>40,330</u>

Information about major customers

There is no significant revenue that is more than 10% of the Group's revenue derived from specific external customers for the years ended 31 December 2020 and 2021.

4. LOSS BEFORE TAX

	2021	2020
	HK\$'000	HK\$'000
Loss before tax has been arrived at after charging/(crediting):		
Auditors' remuneration	780	730
Provision for/(reversal of) impairment loss of trade receivables, net (<i>note 8</i>)	176	(4,114)
Reversal of impairment loss of property, plant and equipment	–	(2,815)
Reversal of legal and professional fee provision	–	(4,954)
Cost of inventories recognised as expenses, including:	58,417	49,611
— Reversal of allowance	(13,780)	(10,646)
Depreciation of property, plant and equipment	14,159	7,367
Short-term lease rental	757	43
Staff costs (including directors' emoluments):		
— Salaries and other benefits	50,523	48,194
— Retirement benefits scheme contributions	4,564	2,003
Total staff costs	<u>55,087</u>	<u>50,197</u>

Note: Cost of inventories sold includes HK\$9,660,000 (2020: HK\$9,900,000) relating to staff costs and depreciation expenses.

5. INCOME TAX CREDIT

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
Switzerland Income Tax	183	261
Over-provision in respect of prior years:		
Hong Kong Profits Tax	<u>(1,140)</u>	<u>–</u>
	(957)	261
Deferred tax charge/(credit)	<u>7</u>	<u>(6,812)</u>
Income tax credit for the year	<u><u>(950)</u></u>	<u><u>(6,551)</u></u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years. No provision for Hong Kong profits tax has been made for both years as the Group has no assessable profits arising in Hong Kong.

Switzerland Income Tax is calculated at certain tax rates on the assessable income for both years. Under the relevant Tax Laws in Switzerland, the Group's subsidiaries incorporated in Switzerland were subjected to Direct Federal Tax (“DFT”) of 8.5% (2020: 8.5%) and Cantonal Communal Tax (“CCT”) calculated at 11.50% (2020: 11.74%). Swiss Federal withholding tax is levied at a rate of 35% on the distribution of the profit (if any) of the subsidiaries incorporated in Switzerland for both years.

Under the laws of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of EIT Law, the tax rate of PRC subsidiary is 25% (2020: 25%). No provision for Enterprise Income Tax has been made for both years as the Group has no assessable profits arising in the PRC.

6. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

7. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share for the year ended 31 December 2021 is based on the loss attributable to owners of the Company of HK\$31,823,000 (2020: profit of HK\$1,327,000) and on the weighted average number of 347,437,000 (2020: 347,437,000) ordinary shares in issue during the year.

There are no potential dilutive ordinary shares outstanding for the year ended 31 December 2021 and 2020 and thus the diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share.

8. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current:		
Rental deposits	<u>881</u>	<u>955</u>
Current:		
Trade receivables, gross	55,353	62,645
Less: impairment loss allowance	<u>(19,550)</u>	<u>(18,608)</u>
Trade receivables, net	<u>35,803</u>	<u>44,037</u>
Other receivables	2,072	1,646
Other tax recoverable	2,145	2,691
Prepayments	5,031	3,651
Deposits	<u>1,770</u>	<u>2,021</u>
	<u>11,018</u>	<u>10,009</u>
Total current trade and other receivables	<u>46,821</u>	<u>54,046</u>
Total trade and other receivables	<u><u>47,702</u></u>	<u><u>55,001</u></u>

Included in the trade receivables, amounts of HK\$2,496,000 (2020: HK\$5,274,000) are due from the fellow subsidiaries of the Company.

The Group allows a credit period ranging from 30 to 120 days to its trade customers. The following is an ageing analysis of trade receivables, net of impairment loss allowance, presented based on the invoice date which approximates the respective revenue recognition date:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–90 days	24,222	29,728
91–180 days	6,174	11,932
181–270 days	4,754	1,450
Over 270 days	653	927
	<u>35,803</u>	<u>44,037</u>

Before accepting any new customer, the Group assesses the potential customer's credit worthiness and defines credit limits for each customer. Limits attributed to customers are reviewed annually.

Movement in the impairment loss allowance for trade receivables

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of the year	18,608	21,534
Provision for impairment losses allowance recognised	1,377	1,373
Reversal of impairment losses allowance recognised	(1,201)	(5,487)
Exchange realignment	766	1,188
	<u>19,550</u>	<u>18,608</u>

Included in the impairment loss allowance as at 31 December 2021 are individually impaired trade receivables with an aggregate credit impaired balance of HK\$19,505,000 (2020: HK\$18,557,000) which has been fully impaired and expected credit loss allowance assessed on collective basis of HK\$45,000 (2020: HK\$51,000). The Group does not hold any collateral over these balances.

9. TRADE AND OTHER PAYABLES

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	26,804	13,785
Other payables	1,556	2,689
Accruals	9,163	6,176
Contract liabilities arising from sales of goods	947	1,550
	<u>38,470</u>	<u>24,200</u>

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
1–30 days	9,355	8,576
31–60 days	7,514	1,689
Over 60 days	9,935	3,520
	<u>26,804</u>	<u>13,785</u>

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

10. AMOUNTS DUE TO A RELATED PARTY, FELLOW SUBSIDIARIES AND DIRECTORS

As at 31 December 2021, an amount due to a related party of amount of RMB1,300,000 (equivalent to HK\$1,590,000) (2020: RMB4,512,000 (equivalent to HK\$5,376,000)) was unsecured, interest bearing at 6% per annum and repayable within one year. The related party is a key management personnel of the Group.

As at 31 December 2021, amounts due to fellow subsidiaries of aggregate amount of RMB203,126,000 (equivalent to HK\$248,444,000) (2020: RMB182,864,000 (equivalent to HK\$217,883,000)) were unsecured, interest bearing at range from 5% to 6% (2020: 5% to 6%) per annum and repayable within one year.

As at 31 December 2021, amounts due to directors of aggregate amount of HK\$17,215,000 (2020: HK\$17,000,000) were unsecured, interest bearing at 5% (2020: 5%) per annum and repayable within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Established since 1856 in Switzerland, Ernest Borel has a proud heritage spanning 166 years. Throughout the course of its history and across its operations, the Group has upheld the principles of producing high precision “Swiss-made” products and implemented stringent quality controls. Under its own brand “Ernest Borel”, the Group is engaged in the design, production, marketing and sale of mechanical and quartz premium watches. As one of the oldest Swiss premium watchmakers, Ernest Borel has adopted the “dancing couple” as its icon, which embodies “romance and elegance”. Together with its distinctive market position, Ernest Borel has gained leadership among brands of watches for couples in Switzerland. The extensive distribution network of the Group covers retail markets in the PRC, the Hong Kong Special Administrative Region (“**Hong Kong**”), the Macau Special Administrative Region (“**Macau**”) and other markets. As at 31 December 2021, the Group has more than 825 POS.

Ernest Borel recorded a revenue of approximately HK\$149.3 million (2020: approximately HK\$122.6 million), representing a year-on-year increase of approximately 21.7%, and gross profit and gross profit margin increased to approximately HK\$90.8 million (2020: approximately HK\$73.0 million) and approximately 60.9% (2020: approximately 59.5%), respectively. Consequently, loss attributable to equity holders amounted to approximately HK\$31.8 million in FY2021 (2020: profit of approximately HK\$1.3 million).

OVERVIEW

As a result of border closures and tourist entry quarantine measures in various countries due to the spread of the COVID-19 pandemic over the world since 2020, coupled with a series of social distancing measure, the number of sightseeing and shopping tourists dwindled, which has resulted in a significant drop in the Group’s revenue in Hong Kong, Macau and other retail markets. In contrast, mainland China, the Group’s main sales market, has tackled the epidemic more effectively than other countries, with economic activities gradually recovering in the second half of 2020 and consumers spending domestically as a result of Chinese government policies, further stimulating growth in all retail sectors. The Group has been investing in the development of its e-commerce business by selling its proprietary and exclusive products on a number of mainstream online sales platforms such as Tmall and JD.com. All of these factors have contributed to the Group’s increasing sales performance. As the economy in mainland China is gradually stabilizing, the Group seized the opportunity to continue to invest more resources in product research and development and promotion with the aim of bringing further revenue to the Group.

The PRC Market

The PRC remains the core market of the Group. As at 31 December 2021, the Group had around 715 POS in the country. Revenue from the PRC segment increased by approximately 22.9% from approximately HK\$118.8 million for FY2020 to approximately HK\$146.0 million for FY2021, which accounted for approximately 97.8% of total revenue.

Hong Kong and Macau Markets

As at 31 December 2021, the Group had around 45 POS in Hong Kong and Macau markets. Revenue in these markets increased by approximately 88.1% from approximately HK\$1.0 million for FY2020 to approximately HK\$1.9 million for FY2021, which accounted for approximately 1.3% of total revenue.

Other markets

As at 31 December 2021, the Group had 65 POS in the other markets, mainly in Southeast Asia and Europe. Revenue in these markets decreased by approximately 52.0% from approximately HK\$2.8 million for FY2020 to approximately HK\$1.3 million for FY2021, which accounted for approximately 0.9% of total revenue.

FINANCIAL REVIEW

Revenue and segment information

Our revenue increased by approximately HK\$26.7 million, or approximately 21.7% from approximately HK\$122.6 million for FY2020 to approximately HK\$149.3 million for FY2021.

Performance by geographical locations

	2021	2020	Changes	
	HK\$'000	HK\$'000	HK\$'000	%
The PRC market	146,021	118,799	27,222	22.9
Hong Kong and Macau markets	1,890	1,005	885	88.1
Other markets mainly in Southeast Asia and Europe	1,341	2,792	(1,451)	(52.0)
Total	<u>149,252</u>	<u>122,596</u>	<u>26,656</u>	<u>21.7</u>

The PRC market

The PRC continues to be our major market, representing approximately 97.8% of our total revenue for FY2021. Revenue in this region showed an increase of approximately 22.9% from approximately HK\$118.8 million for FY2020 to approximately HK\$146.0 million for FY2021.

Hong Kong and Macau markets

Hong Kong and Macau markets accounted for approximately 1.3% of our total revenue for FY2021. Revenue in these markets increased by approximately 88.1% from approximately HK\$1.0 million for FY2020 to approximately HK\$1.9 million for FY2021.

Other markets

Revenue from other markets, mainly in Southeast Asia and Europe, accounted for approximately 0.9% of our total revenue for FY2021. Revenue in these markets decreased by approximately 52.0% from approximately HK\$2.8 million for FY2020 to approximately HK\$1.3 million for FY2021.

Cost of sales

Cost of sales increased by approximately 17.8% from approximately HK\$49.6 million for FY2020 to approximately HK\$58.4 million for FY2021.

Gross profit

Our gross profit increased by approximately HK\$17.9 million or approximately 24.5% from approximately HK\$73.0 million for FY2020 to approximately HK\$90.8 million for FY2021, while the gross profit margin increased from approximately 59.5% for FY2020 to approximately 60.9% for FY2021.

Other gains and losses, net

Our gains decreased by HK\$13.6 million or approximately 90.0% from HK\$15.1 million for FY2020 to HK\$1.5 million for FY2021.

Distribution expenses

Our distribution expenses increased by approximately HK\$21.8 million or approximately 48.0% from approximately HK\$45.3 million for FY2020 to approximately HK\$67.1 million for FY2021.

Administrative expenses

Our administrative expenses increased by approximately HK\$5.0 million or approximately 12.7% from approximately HK\$39.6 million for FY2020 to approximately HK\$44.7 million for FY2021.

Finance costs

Our finance costs increased by approximately HK\$1.8 million or approximately 15.6% from approximately HK\$11.7 million for FY2020 to approximately HK\$13.5 million for FY2021.

Loss attributable to owners of the Company

We recorded a loss of approximately HK\$31.8 million for FY2021 as compared to net profit of approximately HK\$1.3 million for FY2020.

Inventories

Inventories amounted to approximately HK\$372.7 million as at 31 December 2021, which represented an increase of approximately HK\$13.1 million from approximately HK\$359.6 million as at 31 December 2020.

Trade and other receivables and payables

The Group's trade and other receivables amounted to approximately HK\$47.7 million as at 31 December 2021, which represented a decrease of approximately HK\$7.3 million from approximately HK\$55.0 million as at 31 December 2020.

The Group's trade and other payables amounted to approximately HK\$38.5 million as at 31 December 2021, which represented an increase of approximately HK\$14.3 million from approximately HK\$24.2 million as at 31 December 2020.

Liquidity, financial resources and capital structure

As at 31 December 2021, the Group had non-pledged cash and bank balances of approximately HK\$7.6 million (2020: approximately HK\$18.4 million). As at 31 December 2021, the Group had bank and other borrowings of approximately HK\$283.0 million (2020: approximately HK\$264.0 million), of which approximately HK\$4.3 million (2020: approximately HK\$4.4 million) were secured and interest-free; of which approximately HK\$11.4 million (2020: approximately HK\$19.4 million) were secured and carried with variable interest bearings ranged from 3.04% to 5.24% (2020: 3.19% to 5.24%) per annum; and of which approximately HK\$267.3 million (2020: approximately HK\$240.2 million) were unsecured and carried with fixed interest bearings ranged from 5% to 6% (2020: 5% to 6%) per annum. As at 31 December 2021, part of the bank and other borrowings amounted to approximately HK\$3.5 million was repayable over one year and the remaining balance amounted to approximately HK\$279.5 million was repayable within one year.

As at 31 December 2021, the Group's gearing ratio was approximately 250.9% (2020: approximately 173.9%). This was calculated by dividing the bank and other borrowings (including bank borrowings, amount due to a related party, amounts due to fellow subsidiaries and amounts due to directors) by total equity attributable to owners of the Company as at 31 December 2021.

The Group has adopted a prudent financial and surplus funds management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2021. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the sufficient financial resources are available in order to meet its funding requirements and commitment timely.

Foreign exchange exposure

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

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

Charge on assets

As at 31 December 2021, the Group had no charges on the Group's assets (2020: Nil).

Material acquisition and disposal of subsidiaries or associated companies

No material acquisition or disposal of any subsidiaries or associated companies was made during FY2021.

Future plan for material investment and capital assets

The Group does not have any plan authorised by the Board for material investments or additions of capital assets as at the date of this announcement.

Significant investments held

During FY2021, no significant investments were held by the Group.

Contingent liabilities

As at 31 December 2021, the Group did not have any contingent liabilities.

Employees and remuneration policies

As at 31 December 2021, the Group had a total of 175 full-time employees, which represented a decrease of approximately 8.4% compared to 191 employees as at 31 December 2020. Total staff costs for FY2021 increased to approximately HK\$55.1 million from approximately HK\$50.2 million for FY2020.

All of our full-time employees are paid a fixed salary and may be granted other allowances, based on their positions. Members of the sales staff are also eligible for commissions based on their ability to meet sales targets. In addition, year-end bonuses may also be awarded to the employees at our discretion and based on employees' performance. Yearly performance appraisals are conducted to ensure that the employees receive feedback on their performance. Our Company has adopted a share option scheme (the "**Share Option Scheme**") on 24 June 2014, which became effective on 11 July 2014 and will expire on 24 June 2024. No option has been granted under the Share Option Scheme during FY2021.

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 commitments

There was no capital commitments as at 31 December 2021 (2020: Nil).

EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events after the reporting period which needs to be disclosed.

PROSPECTS

The Group anticipates economic activities in various countries to get back on track with the popularization of vaccination. Nevertheless, the Group expects that the retail market for premium watches in the PRC may still face tough challenges, and therefore the performance and financial position of the Group in the current year and the coming years will inevitably be affected to a certain extent. Going forward, the Group will work on various fronts so that we can sustain operation in a difficult business environment and deliver a brighter performance.

Products

The Group always insists on making high-quality “Swiss-made” watches. During the year under review, the market responded positively to the new product collection launched by the Group. In the future, the Group will continue to closely monitor market conditions and keep abreast of the popular trend by analyzing the behavior, habit and consumption power of our major consumers and design watch series, that conformed to the preference of our target consumers, for men, women and couples with our professional product design ability.

Brand Promotion

The Group continues to promote and enhance the reputation of “Ernest Borel” brand through various marketing tactics. Ms. Zhang Xingyu, the brand ambassador of Ernest Borel, whose romantic, elegant, and fashionable young style perfectly echoes the Company’s romantic image, together with our combined online and offline marketing model, have enhanced the promotion of our e-commerce and social platform and brought very positive effects to the brand of “Ernest Borel”. During the year under review, Ms. Zhang Xingyu participated in the China International Import Expo held in Shanghai, which further enhanced the popularity of “Ernest Borel” and increased the awareness of the brand of “Ernest Borel” by customers from all over the world. In the future, the Group will continue to leverage on the positive influence of Ms. Zhang Xingyu and formulate effective promotion solutions that are in line with the market to enable the penetration of our watch products into different levels of consumers. At the same time, the Group will strengthen our popularity and regional promotion activities to align the brand with market, thereby increasing consumers’ attention and awareness of the brand.

In terms of online marketing and promotion, the Group will strengthen brand promotion on internet and new media, integrate resources from e-commerce platform to conduct new product online launch and online live-streaming to bring consumers from online to offline stores and further promote physical offline sales. In the future, the Group will tap into the brand promotion model of “contactless sales” in the PRC, and add black technology elements such as identification interaction in online and offline exhibition activities, to demonstrate to consumers a technological and innovative image of “Ernest Borel” brand.

Distribution Channel

POS sales

The Group continues to adopt effective sales strategies to stabilize our market shares in tier-1 and tier-2 cities through different brand promotion tactics; meanwhile, the Group endeavors to explore new POS beyond tier-3 cities with growth potential and large consumer pool. In addition, the Group will continue to review the performance of each POS and abandon those with a weak performance with a view to increasing the sales revenue of POS with better performances, and continue to optimize our sales network. In the future, the Group aims to explore cities beyond tier-3 cities as our main business growth points.

Online e-commerce sales

In terms of e-commerce, despite the increasing competition among peers, the Company continues to render good performance on e-commerce business. The Group will continue to monitor market conditions for steady growth. We will reasonably evaluate the results between the various inputs and outputs of the platform, and make appropriate optimizations to further enhance the profitability of the platform. The Group will allocate resources to e-commerce in a timely manner so that our professional e-commerce team can operate more efficiently and professionally. In the future, in addition to the existing traditional e-commerce platforms such as Tmall and JD.com, the Group will actively explore and find some potential local and overseas cooperation platforms. In addition, under the current live-streaming sales model, the Group is also actively tapping into different types of live-streaming models to drive sales and enhance brand awareness. Lastly, we will perform ongoing review on the pricing policy of watches, as well as launch quality watches in different price ranges, with a view to attracting more consumers and increase our revenue from e-commerce sales.

Operation

The Group has always adopted effective cost control strategies to utilize and allocate resources, enabling the Company to cut unnecessary operation cost and expenditure. Meanwhile, the Company has also been closely monitoring our inventory and was able to maintain it on a reasonable level to reduce inventory risk.

Conclusion

Looking ahead, the Group expects that COVID-19 will continue to affect the global economy and people's livelihood and its variant will pose great risk of uncertainty in terms of its global impact. Therefore, in the future, the Group will maintain a prudential and active attitude, grasp opportunities during hardships and closely monitor market conditions and, adjust the Group's operation strategies based on our actual situations while controlling operation expense with more caution. In conclusion, the Group is confident in the future of premium watch retails market and hopes that the pandemic will soon be overcome, so that the Group can foster constructive development for "Ernest Borel" brand and bring valuable and sustainable returns for our shareholders.

REVIEW OF ANNUAL RESULTS

The Company has established an audit committee (the "**Audit Committee**") in compliance with Rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and code provision C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules (the "**CG Code**", version up to 31 December 2021) for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members, namely Mr. To Chun Kei (who is also the chairman of the Audit Committee), Mr. Hui Cheuk Kit Frederick and Ms. Chan Lai Wa, all being Independent Non-executive Directors (the "**INEDs**") of the Company.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the Group's audited results for FY2021 with the Company's management. The Audit Committee has also met and discussed with the Group's independent auditors, BDO Limited, regarding the Group's audit, internal control system and financial reporting matters.

COMPLIANCE WITH CG CODE

The Board is committed to maintaining a high standard of corporate governance practices to safeguard the interests of the Company and its shareholders and to enhance corporate value and accountability. The Company has complied with all the code provisions as set out in the CG Code throughout the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS OF LISTED ISSUERS (“MODEL CODE”)

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in the securities of the Company by the Directors. Following specific enquiries made by the Company on the Directors, all Directors have confirmed that they had fully complied with the required standards set out in the Model Code during FY2021, except that Mr. Tao Li (“**Mr. Tao**”) and Mr. Xiong Ying (“**Mr. Xiong**”), both are the Non-executive Director (the “**NED**”) of the Company, without notifying the Chairman of the Company for the purpose of acknowledgement of their shares dealings: (i) Mr. Tao has disposed 1,044,000 shares of Citychamp Watch & Jewellery Group Limited (“**Citychamp**”) on 22 December 2020; and (ii) Mr. Xiong has acquired 10,000 shares and 60,000 shares of Citychamp on 16 June 2021 and 2 August 2021 respectively. The Company shall iterate and remind the directors from time to time in respect of the relevant procedures, rules and requirements in relation to directors’ dealings in order to ensure the directors’ compliance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the year ended 31 December 2021, the Company did not redeem any of its shares listed and traded on The Stock Exchange of Hong Kong Limited nor did the Company or any of its subsidiaries purchase or sell any of such shares.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for FY2021 (2020: Nil).

ANNUAL GENERAL MEETING (“AGM”)

The AGM will be held in Hong Kong on 27 May 2022. Notice of the AGM will be issued and disseminated to the Company’s shareholders in due course.

BOOK CLOSURE

In order to determine the shareholders’ entitlement to attend and vote at the AGM, the transfer books and register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022 (both days inclusive, during which period no transfer of Share(s) will be effected). In order to be eligible to attend and vote at the forthcoming AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration, not later than 4:30 p.m. on Monday, 23 May 2022.

SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is available for viewing on the respective websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at www.ernestborel.ch. The annual report of the Company for FY2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders and published on the respective websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

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

Hong Kong, 30 March 2022

As at the date of this announcement, the Board comprises of the following members:

Executive Directors: Mr. Teguh Halim and Ms. Lam Lai

Non-executive Director: Mr. Xiong Ying

Independent Non-executive Directors: Mr. To Chun Kei, Mr. Hui Cheuk Kit Frederick and Ms. Chan Lai Wa