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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)**

### **UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022**

#### **FINANCIAL HIGHLIGHTS**

- Revenue for the financial period ended 30 June 2022 (“**1HFY2022**”) decreased from approximately HK\$80.1 million to approximately HK\$59.4 million when compared with the corresponding period of last year (“**1HFY2021**”).
- Gross profit margin decreased from approximately 69.6% for 1HFY2021 to approximately 65.8% for 1HFY2022. Gross profit decreased from approximately HK\$55.8 million for 1HFY2021 to approximately HK\$39.1 million for 1HFY2022.
- Loss after tax increased from approximately HK\$4.8 million for 1HFY2021 to approximately HK\$9.7 million for 1HFY2022.
- Basic loss per share was approximately HK2.80 cents for 1HFY2022 and was approximately HK1.37 cents for 1HFY2021.

#### **RESULTS**

The board of directors (the “**Board**”) of Ernest Borel Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 as follows:

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

*For the six months ended 30 June 2022*

		<b>For the six months ended 30 June</b>	
	<i>NOTES</i>	<b>2022</b>	2021
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue		<b>59,390</b>	80,113
Cost of sales		<b>(20,306)</b>	(24,315)
Gross profit		<b>39,084</b>	55,798
Other gains and losses, net		<b>(1,303)</b>	744
Other income		<b>1,060</b>	70
Distribution expenses		<b>(23,079)</b>	(31,422)
Administrative expenses		<b>(19,200)</b>	(23,013)
Finance costs		<b>(6,447)</b>	(6,789)
Loss before tax	5	<b>(9,885)</b>	(4,612)
Income tax credit/(expense)	4	<b>155</b>	(149)
Loss for the period attributable to owners of the Company		<b>(9,730)</b>	(4,761)
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit scheme		<b>2,875</b>	676
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>(2,951)</b>	(8,369)
Other comprehensive income for the period		<b>(76)</b>	(7,693)
Total comprehensive income for the period		<b>(9,806)</b>	(12,454)
Loss per share — (expressed in HK cents)			
Basic and diluted	7	<b>(2.80)</b>	(1.37)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		As at <b>30 June</b> <b>2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2021 <i>HK\$'000</i> <b>(Audited)</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
		<b>33,856</b>	39,420
Property, plant and equipment			
Rental deposits	8	<b>881</b>	881
		<u><b>34,737</b></u>	<u>40,301</u>
<b>Current assets</b>			
Inventories		<b>357,638</b>	372,676
Trade and other receivables	8	<b>53,173</b>	46,821
Bank balances and cash		<b>9,101</b>	7,585
		<u><b>419,912</b></u>	<u>427,082</u>
<b>Current liabilities</b>			
Trade and other payables	9	<b>42,806</b>	38,470
Tax payable		<b>1,416</b>	1,453
Lease liabilities		<b>5,399</b>	5,101
Amount due to a related party		<b>234</b>	1,590
Amounts due to fellow subsidiaries		<b>247,071</b>	248,444
Amounts due to directors		<b>17,264</b>	17,215
Bank borrowings		<b>14,028</b>	12,217
		<u><b>328,218</b></u>	<u>324,490</u>
<b>Net current assets</b>		<u><b>91,694</b></u>	<u>102,592</u>
<b>Total assets less current liabilities</b>		<u><b>126,431</b></u>	<u>142,893</u>

	<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	As at 31 December 2021 HK\$'000 (Audited)
<b>Non-current liabilities</b>		
Lease liabilities	5,731	8,436
Bank borrowings	3,081	3,490
Deferred tax liabilities	13,974	14,069
Pension obligation	676	4,123
	<u>23,462</u>	<u>30,118</u>
<b>Net assets</b>	<u><u>102,969</u></u>	<u><u>112,775</u></u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	3,474	3,474
Reserves	99,495	109,301
	<u>102,969</u>	<u>112,775</u>
<b>Total equity</b>	<u><u>102,969</u></u>	<u><u>112,775</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2022*

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard 34 (“**IAS 34**”) “Interim Financial Reporting” 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**”).

The condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2021 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2022.

The preparation of these condensed consolidated interim financial statements in compliance with IAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars (“**HK\$**”), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (the “**IFRSs**”) and should be read in conjunction with the 2021 consolidated financial statements.

## 2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 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 revenue of the Group are recognised at point in time.

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 resources 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 respective amounts presented in the condensed consolidated statement of profit or loss and other comprehensive income and the condensed consolidated statement of financial position. Entity-wide disclosures of segment information are set out below.

## Geographical information

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

	Revenue from external customers For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
People's Republic of China ("PRC")	57,026	78,793
Hong Kong and Macau	1,491	592
Others (mainly in Southeast Asia and Europe)	873	728
	<u>59,390</u>	<u>80,113</u>

## Information about major customers

During the period, there was one customer contributed over 10% of the total revenue of the Group (1HFY2021: Nil).

## 4. INCOME TAX (CREDIT)/EXPENSE

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current tax:		
Switzerland Income Tax	137	91
Deferred tax (credit)/charge	<u>(292)</u>	<u>58</u>
Income tax (credit)/charge for the period	<u>(155)</u>	<u>149</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods. No provision for Hong Kong profits tax has been made for both periods 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 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 2021: 8.5%) and Cantonal Communal Tax ("CCT") of 11.5% (six months ended 30 June 2021: 11.5%).

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% (six months ended 30 June 2021: 25%). No provision for Enterprise Income Tax has been made for both periods as the Group has no assessable profits arising in the PRC.

## 5. LOSS BEFORE TAX

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Loss before tax has been arrived at after charging/(crediting):		
Provision for impairment loss of trade receivables	676	491
Cost of inventories recognised as expenses, including	20,306	24,315
— Reversal of allowance for inventories	(4,822)	(11,937)
Depreciation of property, plant and equipment	<u>3,871</u>	<u>7,293</u>
Staff costs (including directors' emoluments):		
— Salaries and other benefits	20,633	25,135
— Retirement benefits scheme contributions	<u>2,235</u>	<u>2,872</u>
Total staff costs	<u>22,868</u>	<u>28,007</u>

## 6. DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2022 and 2021. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

## 7. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the six months ended 30 June 2022 is based on the loss attributable to owners of the Company of HK\$9,730,000 (six months ended 30 June 2021: HK\$4,761,000) and on the weighted average number of 347,437,000 (six months ended 30 June 2021: 347,437,000) ordinary shares in issue during the period.

There is no potential dilutive ordinary shares outstanding for the six months ended 30 June 2022 and thus the dilute loss per share is the same as the basic loss per share.

## 8. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Non-current:		
Rental deposits	<u>881</u>	<u>881</u>
Current:		
Trade receivables, gross	60,978	55,353
Less: impairment loss allowance	<u>(19,076)</u>	<u>(19,550)</u>
Trade receivables, net	<u>41,902</u>	<u>35,803</u>
Other receivables	4,352	2,072
Other tax recoverable	378	2,145
Prepayments	4,963	5,031
Deposits	<u>1,578</u>	<u>1,770</u>
	<u>11,271</u>	<u>11,018</u>
Total current trade and other receivables	<u><u>53,173</u></u>	<u><u>46,821</u></u>
Total trade and other receivables	<u><u>54,054</u></u>	<u><u>47,702</u></u>

Included in the trade receivables, amounts of HK\$8,516,000 (31 December 2021: HK\$5,536,000) are due from 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:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
0–90 days	32,382	24,222
91–180 days	3,575	6,174
181–270 days	3,704	4,754
Over 270 days	<u>2,241</u>	<u>653</u>
	<u><u>41,902</u></u>	<u><u>35,803</u></u>



## 9. TRADE AND OTHER PAYABLES

	As at <b>30 June</b> <b>2022</b> <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Trade payables	<b>28,972</b>	26,804
Other payables	<b>3,957</b>	1,556
Accruals	<b>8,806</b>	9,163
Contract liabilities arising from sales of goods	<b>1,071</b>	947
	<b>42,806</b>	38,470

Included in the trade payables, amount of HK\$1,035,000 (31 December 2021: HK\$383,000) are due to fellow subsidiaries of the Company.

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

	As at <b>30 June</b> <b>2022</b> <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
1–30 days	<b>1,152</b>	9,355
31–60 days	<b>4,622</b>	7,514
Over 60 days	<b>23,198</b>	9,935
	<b>28,972</b>	26,804

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

## 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 People’s Republic of China (the “**PRC**”), the Hong Kong Special Administrative Region (“**Hong Kong**”), the Macau Special Administrative Region (“**Macau**”) and other markets. For the six months ended 30 June 2022, the Group has a total of 794 points of sale (“**POS**”).

Ernest Borel recorded a revenue of approximately HK\$59.4 million (1HFY2021: approximately HK\$80.1 million), representing a decrease of approximately 25.9%. Gross profit and gross profit margin decreased to approximately HK\$39.1 million (1HFY2021: approximately HK\$55.8 million) and decreased to approximately 65.8% (1HFY2021: approximately 69.6%) respectively. Consequently, loss attributable to equity holders amounted to approximately HK\$9.7 million.

### OVERVIEW

In retrospect, the resurgence of pandemic in various cities in China hit hard on consumer market, putting domestic demands under pressure in the first half of 2022. The unstable economic fundamentals led to residents’ increased awareness of precautionary saving and decreased consumer market activities when compared to the corresponding period last year, resulting in the fluctuations of retail market. While, in the long run, China’s consumer market is still resilient. Sustainable economic development, improved urbanization rate and rising of new consumer group still underpin long-term stability and growth in consumer market.

In Hong Kong, Macau and overseas markets, as quarantine and access control measures for residents and visitors continued in place, coupled with a series of social distancing measures, there has been a significant reduction in tourist arrivals for sightseeing and shopping, which dealt a heavy blow to the retail and consumption markets in Hong Kong, Macau and overseas. The economic downturn also further weakened consumer sentiment among local residents.

## **The PRC market**

The PRC remains the core market of the Group. As at 30 June 2022, the Group had 683 POS in the country. Revenue from the PRC segment decreased by approximately 27.6% from approximately HK\$78.8 million for 1HFY2021 to approximately HK\$57.0 million for 1HFY2022, accounting for approximately 96.0% of total revenue.

## **Hong Kong and Macau markets**

As at 30 June 2022, the Group had 37 POS in Hong Kong and Macau markets. Sales in these markets increased by approximately 151.9% from approximately HK\$0.6 million for 1HFY2021 to approximately HK\$1.5 million for 1HFY2022, accounting for approximately 2.5% of total revenue.

## **Other markets**

As at 30 June 2022, the Group had 74 POS in the other markets, mainly in Southeast Asia and Europe. Sales in these markets increased by approximately 19.9% from approximately HK\$0.7 million for 1HFY2021 to approximately HK\$0.9 million for 1HFY2022, accounting for approximately 1.5% of total revenue.

## FINANCIAL REVIEW

### Revenue and segment information

Our revenue decreased by approximately HK\$20.7 million or approximately 25.9% from approximately HK\$80.1 million for 1HFY2021 to approximately HK\$59.4 million for 1HFY2022.

### Performance by geographical location

	<b>1HFY2022</b>	1HFY2021	Changes	
	<b>HKD</b>	HKD	HKD	
	<i>(in million)</i>	<i>(in million)</i>	<i>(in million)</i>	%
PRC market	<b>57.0</b>	78.8	(21.8)	(27.6)
Hong Kong and Macau markets	<b>1.5</b>	0.6	0.9	151.9
Other markets mainly in Southeast Asia and Europe	<b>0.9</b>	0.7	0.2	19.9
Total	<b>59.4</b>	80.1	(20.7)	(25.9)

### Cost of Sales

Cost of sales decreased by approximately HK\$4.0 million or approximately 16.5% from approximately HK\$24.3 million for 1HFY2021 to approximately HK\$20.3 million for 1HFY2022.

### Gross profit

Our gross profit decreased by approximately HK\$16.7 million or approximately 30.0% from approximately HK\$55.8 million for 1HFY2021 to approximately HK\$39.1 million for 1HFY2022. The decrease in gross profit was mainly attributable to the decrease in revenue as compared to the same period in 2021. The gross profit margin decreased from approximately 69.6% for 1HFY2021 to approximately 65.8% for 1HFY2022.

### Other gains and losses

We recorded other losses of approximately HK\$1.3 million for 1HFY2022 as compared to other gains of approximately HK\$0.7 million for 1HFY2021.

### **Distribution expenses**

Our distribution expenses decreased by approximately HK\$8.3 million or approximately 26.6% from approximately HK\$31.4 million for 1HFY2021 to approximately HK\$23.1 million for 1HFY2022, representing approximately 38.9% of our total revenue for 1HFY2022 (1HFY2021: approximately 39.2%).

### **Administrative expenses**

Our administrative expenses decreased by approximately HK\$3.8 million or approximately 16.6% from approximately HK\$23.0 million for 1HFY2021 to approximately HK\$19.2 million for 1HFY2022.

### **Finance costs**

Our finance costs decreased by approximately HK\$0.3 million or approximately 5.0% from approximately HK\$6.8 million for 1HFY2021 to approximately HK\$6.4 million for 1HFY2022.

### **Loss for the period attributable to owners of our Company**

Our net loss increased by approximately HK\$5.0 million from approximately HK\$4.8 million for 1HFY2021 to approximately HK\$9.7 million for 1HFY2022.

### **Inventory**

Inventory amounted to approximately HK\$357.6 million as at 30 June 2022, which represented a decrease of approximately HK\$15.0 million from approximately HK\$372.7 million as at 31 December 2021.

### **Trade and other receivables and payables**

The Group's trade and other receivables amounted to approximately HK\$54.1 million as at 30 June 2022, which represented an increase of approximately HK\$6.4 million from approximately HK\$47.7 million as at 31 December 2021.

The Group's trade and other payables amounted to approximately HK\$42.8 million as at 30 June 2022, which represented an increase of approximately HK\$4.3 million from approximately HK\$38.5 million as at 31 December 2021.

## **Liquidity, financial resources and capital structure**

As at 30 June 2022, the Group had non-pledged cash and bank balances of approximately HK\$9.1 million (31 December 2021: approximately HK\$7.6 million). As at 30 June 2022, the Group had bank and other borrowings of approximately HK\$281.7 million (31 December 2021: approximately HK\$283.0 million), of which approximately HK\$4.1 million (31 December 2021: approximately HK\$4.3 million) were secured and interest-free; of which approximately HK\$13.0 million (31 December 2021: approximately HK\$11.4 million) were secured and carried with variable interest bearings ranged from 4.04% to 5.02% (31 December 2021: 3.04% to 5.24%) per annum; and of which approximately HK\$264.6 million (31 December 2021: approximately HK\$267.3 million) were unsecured and carried with fixed interest bearings ranged from 5% to 6% (31 December 2021: 5% to 6%) per annum. As at 30 June 2022, part of the bank and other borrowings amounted to approximately HK\$3.1 million was repayable over one year and the remaining balance amounted to approximately HK\$278.6 million was repayable within one year.

As at 30 June 2022, the Group's gearing ratio was approximately 273.6% (31 December 2021: approximately 250.9%). 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 30 June 2022.

### **Foreign exchange exposure**

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

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

### **Charge on assets**

As at 30 June 2022, the Group had no charge on the Group's assets (31 December 2021: Nil).

## **Material acquisition and disposal of subsidiaries or associated companies**

No material acquisition or disposal of any subsidiaries or associated companies was made during 1HFY2022.

## **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 2022.

## **Contingent liabilities**

As at 30 June 2022, the Group did not have any material contingent liabilities (31 December 2021: Nil).

## **Interim dividend**

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2022 (1HFY2021: Nil).

## **Employees and remuneration policies**

As at 30 June 2022, the Group had a total of 163 full time employees (31 December 2021: 175). Total staff costs, including directors' emoluments, was approximately HK\$22.9 million for 1HFY2022 (1HFY2021: approximately HK\$28.0 million).

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 1HFY2022.

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 to deepen their knowledge in the industry.

## **Capital commitments**

At 30 June 2022, the Group did not have material capital commitments (31 December 2021: Nil).

## **Events after the reporting period**

There are no material events undertaken by the Group after the reporting period.

## **PROSPECTS**

The pandemic has undoubtedly brought profound influences on the current economy of the PRC, with all sectors impacted unprecedentedly, especially the watch industry, which is mainly based on experiences and consumptions in brick-and-mortar stores. However, with the popularization of vaccination and decreasing lethality of the virus as well as the effective control of pandemic in Mainland China, the Group anticipates that relevant control measures will be gradually relaxed and consumer vitality released again, economic activities in various countries will be back to normal. In the future, the Group will take actions in various aspects by working together with our team to overcome the challenges and continue to focus on customers' demands, build our core competitiveness, and consolidate our market position and market share.

### **Products**

The Group always insists on making high-quality “Swiss-made” watches. In the future, the Group will closely monitor market conditions and keep abreast of the popular trend by analyzing the mindset 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 awareness of the “Ernest Borel” brand through different forms of marketing initiatives, introducing the “Ernest Borel” brand to younger and international consumers, so that the romantic culture of the “Ernest Borel” brand can be sustained.

The Group will pay more attention to the effectiveness of input and output, and make greater use of the advertising image of the brand ambassador, Ms. Zhang Xingyu, to formulate some effective promotion projects that are in line with the market. We will strengthen our popularity and regional promotion activities to align the brand with the market, thereby increasing consumers' attention and awareness of the brand. In the meantime, we will strengthen our promotion on the internet and accelerate the brand promotion through new media. By integrating resources from e-commerce platforms, we can bring customers from e-commerce to offline stores through conducting new product online launch and brand-new product sections on e-commerce platforms.



## **Distribution Channels**

On the basis of adopting existing effective sales strategies, the Group proactively explores the market, stabilizing our market shares in tier-1 and tier-2 cities, while actively exploring beyond tier-3 cities with large consumer pool and higher potential. In particular, we introduced new sales models targeted at distributor clients in beyond tier-3 cities to secure more cooperation opportunities by leveraging the Group's existing brand influence and operational flexibility. In the future, we will explore cities beyond tier-3 cities for our offline sales as our main business growth point.

## **E-commerce sales**

In terms of e-commerce business, on the premise of maintaining basic monthly sales income, we are devoted to achieving steady increase, and 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. In addition to the three major traditional e-commerce platforms, namely Tmall, JD.com and VIPs, the Group will explore and pursue some potential platforms for partnership. Under the current livestreaming sales model, the Group is also actively tapping into different types of livestreaming models to drive sales performance and enhance brand awareness. In addition, overseas e-commerce platform is also a market not to be underestimated, therefore, the Group will accelerate the pace of development of overseas e-commerce.

## **Operation**

Apart from efforts in sales boosting, effective cost control strategies are also inevitable. The Group has been utilizing and allocating resources in a prudent and timely manner, which enables the Group to cut unnecessary operation cost and expenditure. Meanwhile, the Company has also been closely monitoring our inventory level and was able to maintain it on a reasonable level to reduce inventory risk.

## **Conclusion**

Looking ahead, the Group will promote the optimization and upgrading of the enterprise through a series of adjustment measures. Based on appropriate management of capital flow and maintaining normal operation of the Company, the Group will make efforts to overcome difficulties and achieve strong growth, capture a larger market share, actively expand domestic and foreign markets by focusing on the exploration and deployment of markets in third-tier and below cities with huge consumption potential, thereby improving its passive position by taking initiative, and turning crises into business opportunities. The Group firmly believes that with its unyielding fighting spirit, perseverance and relentless hard work, Ernest Borel will grow with steadiness and restore its prosperity.

The Group will continue to seek different channels to generate sales revenue and closely control the Group's operating costs in terms of sales, distribution, and administrative expenses in order to achieve the goal of raising revenue and reducing expenditure. At the same time, the Group will prepare itself for future opportunities with the aim of expanding its earnings and generating valuable and sustainable returns for our shareholders.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Board is of the view that the Company has complied with all code provisions as set out in the Corporate Governance Code and the Corporate Governance Report contained in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”) throughout the six months ended 30 June 2022.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code 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 and its code of conduct regarding directors' securities transactions throughout the six months ended 30 June 2022.

## **REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Listing Rules and 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.

During the six months ended 30 June 2022, the Audit Committee comprises all of our three Independent Non-executive Directors, namely Mr. To Chun Kei, Mr. Hui Cheuk Kit Frederick and Ms. Chan Lai Wa, with Mr. To Chun Kei being the chairman of the Audit Committee. Our unaudited interim results and the interim report for the six months ended 30 June 2022 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.

## **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 2022.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.ernestborel.ch](http://www.ernestborel.ch)). The Interim Report of the Company for the six months ended 30 June 2022 will be published on the aforesaid websites and will be dispatched to the shareholders of the Company in due course.

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

Hong Kong, 30 August 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 Directors:* Mr. Xiong Ying

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