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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)

2024 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 2024, together with the comparative figures for the year ended 31 December 2023.

FINANCIAL AND OPERATION HIGHLIGHTS

- Turnover for the financial year ended 31 December 2024 (“**FY2024**”) decreased from approximately HK\$165.0 million to approximately HK\$99.3 million when compared with the financial year ended 31 December 2023 (“**FY2023**”).
- Gross profit margin decreased from approximately 52.8% for FY2023 to approximately 8.7% for FY2024. Gross profit decreased from approximately HK\$87.1 million for FY2023 to approximately HK\$8.6 million for FY2024.
- Loss attributable to the owners of the Company for FY2024 was approximately HK\$47.9 million (FY2023: profit of approximately HK\$18.9 million).
- Loss per share for FY2024 was approximately HK\$13.31 cents (FY2023: Earnings per share was approximately HK\$5.30 cents).
- The Board has resolved not to recommend any payment of a final dividend for FY2024 (FY2023: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
Revenue	3	99,280	164,994
Cost of sales		(90,656)	(77,932)
Gross profit		8,624	87,062
Other gains and losses, net	4	38,888	44,230
Other income		736	2,116
Distribution expenses		(26,532)	(56,203)
Administrative expenses		(60,031)	(50,427)
Finance costs		(9,974)	(9,295)
(Loss)/profit before tax	5	(48,289)	17,483
Income tax credit	6	351	1,388
(Loss)/profit for the year attributable to owners of the Company		(47,938)	18,871
Other comprehensive income			
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
Remeasurement of net defined benefit obligations		(193)	1,858
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(17,756)	8,452
Other comprehensive income for the year		(17,949)	10,310
Total comprehensive income for the year attributable to owners of the Company		(65,887)	29,181
(Loss)/earnings per share			
– Basic and diluted (Hong Kong cents)	8	(13.31)	5.30

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		43,650	57,111
Life insurance policy		1,417	1,411
Rental deposits	<i>9</i>	991	1,485
Goodwill	<i>10</i>	–	27,934
Intangible assets		36,801	59,391
Deferred tax assets		4,540	7,362
		<hr/> 87,399 <hr/>	<hr/> 154,694 <hr/>
CURRENT ASSETS			
Inventories		288,123	324,784
Trade and other receivables	<i>9</i>	142,533	133,205
Financial assets at fair value through profit or loss	<i>11</i>	24,718	32,410
Pledged bank deposits		–	5,000
Bank balances and cash		10,228	5,911
		<hr/> 465,602 <hr/>	<hr/> 501,310 <hr/>
CURRENT LIABILITIES			
Trade and other payables	<i>12</i>	67,788	67,247
Tax payable		1,225	1,468
Lease liabilities		4,527	7,625
Amounts due to related parties	<i>13</i>	22,138	13,555
Amounts due to fellow subsidiaries	<i>13</i>	286,804	266,599
Amount due to a director	<i>13</i>	–	2,424
Amount due to an ultimate holding company	<i>13</i>	7,480	3,400
Bank and other borrowings		19,919	30,925
		<hr/> 409,881 <hr/>	<hr/> 393,243 <hr/>
NET CURRENT ASSETS		<hr/> 55,721 <hr/>	<hr/> 108,067 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 143,120 <hr/>	<hr/> 262,761 <hr/>

	<i>Notes</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		11,841	15,443
Bank borrowings		1,788	2,314
Deferred tax liabilities		26,823	30,374
Pension obligations		763	1,933
Financial liabilities at fair value through profit or loss	<i>11</i>	–	44,905
		41,215	94,969
NET ASSETS		101,905	167,792
EQUITY			
Equity attributable to owners of the Company			
Share capital		3,603	3,603
Reserves		98,302	164,189
TOTAL EQUITY		101,905	167,792

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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 (“**Citychamp**”), 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.

During the year, the principal activities of the Company is investment holding and its subsidiaries (together referred to as the “**Group**”) include:

- designing, manufacturing, marketing and selling of Swiss-made mechanical and quartz premium watches; and
- designing, development and manufacturing of stainless-steel alloy watches cases, smartwatches cases on ODM or OEM basis.

The Company’s addresses of the registered office is Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands and its principal place of business is Unit J, 12/F, Fu Cheung Centre, Nos. 5-7 Wong Chuk Yeung Street, Shatin, New Territories, Hong Kong.

2. APPLICATION OF NEW OR AMENDMENTS TO IFRS ACCOUNTING STANDARDS (“**IFRS Accounting Standards**”)

(a) Adoption of new or amendments to IFRS accounting standards – effective 1 January 2024

In the current year, the Group has applied the following new or amendments to IFRS Accounting Standards 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 2024:

Amendments to IAS 1	Classification of Liabilities as current or non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IFRS 16	Liability in a Sale and Leaseback
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of these new or amendments to IFRS Accounting Standards has no material impact on the Group’s results and financial position for the current or prior period.

(b) New and amendments to IFRS Accounting Standards in issue but not yet effective

The following new or amendments to IFRS Accounting Standards, 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 21	Lack of Exchangeability ¹
Amendments to IFRS 7 and IFRS 9	Amendments to the Classification and Measurement of Financial Instruments ²
IFRS 18	Presentation and Disclosure in Financial Statements ³
IFRS 19	Subsidiaries without Public Accountability: Disclosures ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IFRS 9 and IFRS 7	Contracts Referencing nature-dependent Electricity ²

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual periods beginning on or after 1 January 2027

⁴ Effective for annual periods beginning on or after a date to be determined

The Group is in the progress of making assessments of the potential impact of these new or amendments to IFRS Accounting Standards upon initial application.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received or receivable for the sales of watches products and smart watches components, less returns and trade discounts. The revenues of the Group are recognised at point in time.

The Group's principal activities were manufacturing and sales of watches and smart watch manufacturing business. 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 are considered as two operating segments. Segment revenue and results are therefore not 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.

The Group's operating businesses are structured and managed separately according to the nature of the operations. Each of the Group's reportable operating segments represents a strategic business unit that is subject to risks and returns that are different from other reportable operating segment.

The Group's reportable and operating segments are as follows:

- Watches business segment: manufacturing and sales of watches; and
- Smart Watch Manufacturing business segment: designing, development and manufacturing of stainless-steel alloy watches cases, smartwatches cases on ODM and OEM basis.

Segment revenue and results

For the year ended 31 December 2024

	Watches <i>HK\$'000</i>	Smart Watch Manufacturing <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Revenue	<u>38,008</u>	<u>61,272</u>	–	<u>99,280</u>
Segment results	<u>(37,528)</u>	<u>4,109</u>	–	<u>(33,419)</u>
Unallocated corporate incomes and expenses, net	–	–	(4,896)	(4,896)
Finance cost	<u>(7,748)</u>	<u>(1,321)</u>	<u>(905)</u>	<u>(9,974)</u>
(Loss)/profit before income tax	<u>(45,276)</u>	<u>2,788</u>	<u>(5,801)</u>	<u>(48,289)</u>
Income tax (expense)/credit	<u>(135)</u>	<u>486</u>	–	<u>351</u>
(Loss)/profit after income tax	<u>(45,411)</u>	<u>3,274</u>	<u>(5,801)</u>	<u>(47,938)</u>
Segment assets				
Watches				383,075
Smart Watch Manufacturing				169,710
Unallocated assets				
– Bank balances and cash				<u>216</u>
Total assets				<u><u>553,001</u></u>
Segment liabilities				
Watches				325,071
Smart Watch Manufacturing				82,382
Unallocated liabilities				<u>43,643</u>
Total liabilities				<u><u>451,096</u></u>
Other segment information				
Interest income	95	84	1	180
Provision for impairment loss of trade receivables, net	(3,350)	(115)	–	(3,465)
Inventories allowance	(10,605)	(884)	–	(11,489)
Impairment loss on goodwill	–	(26,926)	–	(26,926)
Fair value gain from financial assets/ financial liabilities at fair value through profit or loss	–	69,623	–	69,623
Depreciation and amortisation	(5,763)	(21,200)	–	(26,963)
Additions to non-current assets	<u>4,953</u>	<u>1,014</u>	–	<u>5,967</u>

For the year ended 31 December 2023

	Watches HK\$'000	Smart Watch Manufacturing HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment revenue				
Revenue	111,983	53,011	–	164,994
Segment results				
Unallocated corporate incomes and expenses, net	(18,048)	52,085	–	34,037
Finance cost	–	–	(7,259)	(7,259)
	(7,720)	(675)	(900)	(9,295)
(Loss)/profit before income tax	(25,768)	51,410	(8,159)	17,483
Income tax (expense)/credit	(640)	2,028	–	1,388
(Loss)/profit after income tax	(26,408)	53,438	(8,159)	18,871
Segment assets				
Watches				453,787
Smart Watch Manufacturing				202,155
Unallocated assets				
– Bank balances and cash				62
Total assets				656,004
Segment liabilities				
Watches				337,721
Smart Watch Manufacturing				125,047
Unallocated liabilities				25,444
Total liabilities				488,212
Other segment information				
Interest income	94	90	–	184
Provision for impairment loss of trade receivables, net	(6,816)	(10)	–	(6,826)
Reversal of inventories allowance	38	–	–	38
Impairment loss on goodwill	–	(13,389)	–	(13,389)
Fair value gain from financial assets/ financial liabilities at fair value through profit or loss	–	65,192	–	65,192
Depreciation and amortisation	(9,470)	(14,770)	–	(24,240)
Additions to non-current assets	2,694	611	–	3,305

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 excluding deferred tax assets and financial instruments) based on the location of the assets.

	Revenue from external customers	
	2024	2023
	HK\$'000	HK\$'000
People's Republic of China (the "PRC")	81,884	131,849
Vietnam	151	18,351
Hong Kong and Macau	11,214	5,592
Korea	612	3,670
South East Asia	2,011	3,437
Others	3,408	2,095
	99,280	164,994

	Non-current assets (excluding deferred tax assets and financial instruments)	
	2024	2023
	HK\$'000	HK\$'000
The PRC	70,427	132,560
Hong Kong	1,959	1,803
Switzerland	8,065	10,073
	80,451	144,436

Information about major customers

Revenue from customers contributing over 10% of total revenue of the Group is as follows:

	2024	2023
	HK\$'000	HK\$'000
Customer A	–	16,708
Customer B	21,842	–
Customer C	12,263	–

An analysis of revenue is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Watches	38,008	111,983
Smart Watch Manufacturing	61,272	53,011
	<u>99,280</u>	<u>164,994</u>

4. OTHER GAINS AND LOSSES, NET

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Exchange gain, net	2,317	470
Gain on early termination of lease	519	–
Impairment loss on goodwill	(26,926)	(13,389)
Impairment loss on property, plant and equipment	(1,407)	–
Impairment loss on intangible asset	(1,732)	–
Provision for impairment loss of trade receivable, net	(3,465)	(6,826)
Fair value gain on financial asset/financial liabilities at fair value through profit or loss	69,623	65,192
Fair value change on life insurance policy	19	(157)
Loss on written off of property, plant and equipment	(60)	(1,093)
Gain on disposal of property, plant and equipment	–	33
	<u>38,888</u>	<u>44,230</u>

5. (LOSS)/PROFIT BEFORE TAX

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
(Loss)/profit before tax has been arrived at after charging/(crediting):		
Auditors' remuneration		
– Audit services	1,100	1,100
– Non-audit services	32	932
Cost of inventories recognised as expenses, including:	90,656	77,932
– Provision for/(reversal of) allowance	11,489	(38)
Depreciation of property, plant and equipment	15,228	15,782
Amortisation of intangible assets	11,735	8,458
Short-term lease rental	997	1,247
Staff costs (including directors' emoluments):		
– Salaries and other benefits	55,744	51,149
– Retirement benefits scheme contributions	4,697	5,892
	<u>60,441</u>	<u>57,041</u>
Total staff costs	<u>60,441</u>	<u>57,041</u>

Note: Cost of inventories sold includes HK\$28,549,000 (2023: HK\$23,632,000) relating to staff costs and depreciation expenses.

6. INCOME TAX CREDIT

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current tax:		
Switzerland Income Tax	–	(231)
Deferred tax credit	<u>351</u>	<u>1,619</u>
Income tax credit for the year	<u><u>351</u></u>	<u><u>1,388</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 8.50% (2023: 8.50%) and Cantonal Communal Tax (“**CCT**”) calculated at 7.2% (2023: 7.2%).

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% (2023: 25%). No provision for Enterprise Income Tax has been made for both years as the Group has no assessable profits arising in the PRC.

7. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2024 and 2023, nor has any dividend been proposed since the end of the reporting period.

8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted loss per share for the year ended 31 December 2024 is based on the loss attributable to owners of the Company of HK\$47,938,000 (2023: profit attributable to owners of the Company of HK\$18,871,000) and on the weighted average number of 360,258,000 (2023: 356,148,000) ordinary shares in issue during the year.

There are no potential dilutive ordinary shares outstanding for the years ended 31 December 2024 and 2023 and thus the diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share.

9. TRADE AND OTHER RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current:		
Rental deposits	<u>991</u>	<u>1,485</u>
Current:		
Trade receivables, gross	152,023	139,540
Less: impairment loss allowance	<u>(17,058)</u>	<u>(14,115)</u>
Trade receivables, net	<u>134,965</u>	<u>125,425</u>
Other receivables	3,029	3,020
Other tax recoverable	289	339
Prepayments	2,473	2,007
Deposits	<u>1,777</u>	<u>2,414</u>
	<u>7,568</u>	<u>7,780</u>
Total current trade and other receivables	<u>142,533</u>	<u>133,205</u>
Total trade and other receivables	<u><u>143,524</u></u>	<u><u>134,690</u></u>

Included in the trade and other receivables, amounts of HK\$27,613,000 (2023: HK\$12,853,000) are due from the fellow subsidiaries of the Company.

The Group allows a credit period ranging from 30 to 360 days (2023: 30 to 360 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0–90 days	36,911	48,375
91–180 days	12,594	15,087
181–270 days	6,593	22,373
Over 270 days	<u>78,867</u>	<u>39,590</u>
	<u><u>134,965</u></u>	<u><u>125,425</u></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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Balance at beginning of the year	14,115	18,230
Provision for impairment losses allowance recognised	3,698	10,573
Reversal of impairment losses allowance recognised	(233)	(3,747)
Written off of impairment losses allowance recognised	–	(10,421)
Exchange realignment	(522)	(520)
	<u>17,058</u>	<u>14,115</u>
Balance at the end of the year	<u>17,058</u>	<u>14,115</u>

Included in the impairment loss allowance as at 31 December 2024 are individually impaired trade receivables with an aggregate credit impaired balance of HK\$12,166,000 (2023: HK\$12,166,000) which has been fully impaired and expected credit loss allowance assessed on collective basis of HK\$4,892,000 (2023: HK\$1,949,000). The Group does not hold any collateral over these balances.

10. GOODWILL

	<i>HK\$'000</i>
COST	
As at 1 January 2023	–
Acquisition of subsidiaries	42,178
Exchange realignment	(855)
	<u>41,323</u>
As at 31 December 2023 and 1 January 2024	<u>41,323</u>
Exchange realignment	(1,008)
	<u>40,315</u>
As at 31 December 2024	<u>40,315</u>
ACCUMULATED IMPAIRMENT LOSSES	
As at 1 January 2023	–
Impairment loss	13,389
	<u>13,389</u>
As at 31 December 2023 and 1 January 2024	<u>13,389</u>
Impairment loss for the year	26,926
	<u>26,926</u>
As at 31 December 2024	<u>40,315</u>
CARRYING AMOUNTS	
As at 31 December 2024	–
	<u>–</u>
As at 31 December 2023	<u>27,934</u>

For the purpose of impairment testing, the goodwill has been allocated to a CGU, representing Gold Vantage CGU which were acquired by the Group in the prior year, and being the Smart Watch Manufacturing segment.

For the year ended 31 December 2024, the recoverable amount of Gold Vantage CGU is determined by the management of the Group with reference to a valuation report issued by an independent professional valuer. The recoverable amount of Gold Vantage CGU has been determined from value-in-use calculation. The calculation used cash flow projections based on latest financial budgets approved by the management covering a period of five-year period. An average sales growth rate for five-year period of 3.30% has been applied in the value-in-use calculation, followed by an extrapolation of expected cash flow at zero growth rate which do not exceed the long-term growth rate for the business in which Gold Vantage CGU operates and a pre-tax discount rate of 17.40% (2023: 20.15%). Key assumptions for the value in use calculation, are those regarding the expected changes to selling prices and cost during forecasted periods and discount rates. Cash flow projections during the budget period are based on the budgeted gross margins and growth rate, which have been determined based on past performance and the Group management's expectations for the market development and future performance of Gold Vantage CGU. The discount rate used is pre-tax that reflect current market assessments of the time value of money and reflect specific risks related to Gold Vantage CGU. The performance of Gold Vantage CGU cannot achieve the expected budget. In accordance with the value-in-use calculation, the recoverable amount is lower than the carrying amount of Gold Vantage CGU. As a result, full impairment loss of HK\$26,926,000 (2023: HK\$13,389,000) has been recognised for the ended 31 December 2024.

11. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Financial assets at fair value through profit or loss		
– 2023 Profit Compensation (<i>note i</i>)	–	32,410
– 2024 Profit Compensation (<i>note ii</i>)	24,123	–
– 2025 Profit Compensation (<i>note iii</i>)	595	–
	<u>24,718</u>	<u>32,410</u>
Financial liabilities at fair value through profit or loss		
– 2024 Profit Compensation (<i>note ii</i>)	–	26,592
– 2025 Profit Compensation (<i>note iii</i>)	–	18,313
Non-current portion	<u>–</u>	<u>44,905</u>

For the years ended 31 December 2023 and 2024, the Group's financial assets and financial liabilities at fair value through profit or loss were resulted from contractual term of its acquisition of equity interest in Gold Vantage.

Notes:

- (i) As at 31 December 2023, the directors of the Company estimated that the audited profit after tax of Gold Vantage Group for the year ended 31 December 2023 would be less than HK\$30,000,000. The balance represented the fair value of the financial asset in relation to 2023 Profit Compensation. The fair value gain of HK\$44,000,000 had been recognised in the other gains and losses for the year ended 31 December 2023. 2023 Profit Compensation has been settled by the vendor during the year ended 31 December 2024.

- (ii) As at 31 December 2024, the directors of the Company estimated that the audited profit after tax of Gold Vantage Group for the year ended 31 December 2024 would be less than HK\$30,000,000. The balance represented the fair value of the financial assets in relation to 2024 Profit Compensation and the directors have engaged an independent professional valuer to assist them to estimate the fair values as at 31 December 2024. The fair value gain of HK\$50,715,000 has been recognised in the other gains and losses for the year ended 31 December 2024.

As at 31 December 2023, the balance represented the fair value of the financial liabilities in relation to 2024 Profit Compensation. The fair value gain of HK\$8,871,000 had been recognised in the other gains and losses for the year ended 31 December 2023.

- (iii) The directors of the Company estimated that the audited profit after tax of Gold vantage Group for the year ending 31 December 2025 would be less than HK\$30,000,000. The balance represented the fair value of the financial assets in relation to 2025 Profit Compensation. The fair value gain of HK\$18,908,000 has been recognised in the other gains and losses for the year ended 31 December 2024.

As at 31 December 2023, the balance represented the fair value of the financial liabilities in relation to 2025 Profit Compensation. The fair value gain of HK\$12,321,000 had been recognised in the other gains and losses for the year ended 31 December 2023.

12. TRADE AND OTHER PAYABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	49,225	37,231
Other payables	4,885	18,517
Accruals	13,146	11,225
Contract liabilities arising from sales of goods	532	274
	<u>67,788</u>	<u>67,247</u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
1–30 days	18,285	13,958
31–60 days	1,069	4,169
Over 60 days	29,871	19,104
	<u>49,225</u>	<u>37,231</u>

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

13. AMOUNTS DUE TO RELATED PARTIES, FELLOW SUBSIDIARIES, A DIRECTOR AND AN ULTIMATE HOLDING COMPANY

As at 31 December 2024, amounts due to related parties of (i) RMB18,642,000 (equivalent to HK\$19,876,000) was unsecured, interest bearing at 3.85% annum and repayable on demand; (ii) Nil (2023: HK\$2,500,000) was unsecured, interest bearing at 6% annum and repayable on demand; and (iii) RMB1,656,000 (equivalent to HK\$1,761,000) and HK\$501,000 (2023: RMB6,814,000 (equivalent to HK\$7,478,000) and HK\$3,577,000) were unsecured, interest free and repayable on demand.

As at 31 December 2024, amounts due to fellow subsidiaries of aggregate amount of RMB259,866,000 (equivalent to HK\$276,289,000) and HK\$10,515,000 (2023: RMB225,994,000 (equivalent to HK\$247,984,000) and HK\$18,615,000) were unsecured, interest bearing at ranging from 0% to 6% (2023: 0% to 4%) per annum and repayable within one year.

As at 31 December 2024, no amount was due to director. As at 31 December 2023, an amount due to director of aggregate amount of HK\$2,424,000 was unsecured, interest free and repayable on demand.

As at 31 December 2024, amount due to ultimate holding company of principal amount of HK\$7,480,000 (2023: HK\$3,400,000) was unsecured, interest free and repayable within one year.

14. SUBSEQUENT EVENT

Subsequent to the reporting date, regarding the settlement of 2024 Profit Compensation, 2024 Profit Compensation would be reduced by (i) the outstanding share consideration of the second installment of 12,820,513 consideration shares and (ii) the outstanding cash consideration of the second installment of HK\$13,333,333.3 in relation to the acquisition. For the remaining balances of 2024 Profit Compensation, the Company has agreed with Fair Future that the balance shall be set off (i) cash advance of HK\$10,600,000 from Fair Future from April to December in 2024 and (ii) by the current account with fellow subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Established since 1856 in Switzerland, Ernest Borel has a proud heritage spanning 168 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, Hong Kong, Macau and other markets. As at 31 December 2024, the Group has more than 688 POS.

Ernest Borel recorded a revenue of approximately HK\$99.3 million (2023: approximately HK\$165.0 million), representing a year-on-year decrease of approximately 39.8%, and gross profit and gross profit margin decreased to approximately HK\$8.6 million (2023: approximately HK\$87.1 million) and approximately 8.7% (2023: approximately 52.8%), respectively. Consequently, loss attributable to equity holders amounted to approximately HK\$47.9 million in FY2024 (2023: profit attributable to equity holders of approximately HK\$18.9 million).

OVERVIEW

In 2024, China’s overall economic growth remained stable, while Sino-US trade frictions intensified after the new US president took office. These frictions, coupled with the impact of tariff policies, macroeconomic factors, and uncertainties in global economic development, highlighted the lack of momentum in advanced economies. The external environment was complex and severe, further influenced by industrial changes which negatively impacted the prosperity of the watch industry, making it sluggish throughout 2024.

The recovery momentum of consumption in the Chinese market was slower than expected. With advancements in technology and the growing popularity of smartwatches, the traditional watch industry faced numerous challenges. Nevertheless, the Group believes that the traditional watch industry still has room for sustainable development, through continuous innovation in watch design, diversification of styles, and ongoing internal adaptations to meet changing market demands.

The PRC Market

The PRC remains the core market of the Group. As at 31 December 2024, the Group had around 580 POS in the country. Revenue from the PRC segment decreased by approximately 37.9% from approximately HK\$131.8 million for FY2023 to approximately HK\$81.9 million for FY2024, which accounted for approximately 82.5% of total revenue.

Hong Kong and Macau Markets

As at 31 December 2024, the Group had around 34 POS in Hong Kong and Macau markets. Revenue in these markets increased by approximately 100.5% from approximately HK\$5.6 million for FY2023 to approximately HK\$11.2 million for FY2024, which accounted for approximately 11.3% of total revenue.

Other markets

As at 31 December 2024, the Group had 74 POS in the other markets, mainly in Europe. Revenue in this markets increased by approximately 62.7% from approximately HK\$2.1 million for FY2023 to approximately HK\$3.4 million for FY2024, which accounted for approximately 3.4% of total revenue.

The Group revenue from other Asia markets, (mainly in Thailand, Vietnam and Korea). Revenue in these markets approximately HK\$2.8 million for FY2024, which accounted for approximately 2.8% of total revenue (FY2023: HK\$25.5 million).

FINANCIAL REVIEW

Revenue and segment information

Our revenue decreased by approximately HK\$65.7 million, or approximately 39.8% from approximately HK\$165.0 million for FY2023 to approximately HK\$99.3 million for FY2024.

Performance by geographical locations

	2024	2023	Changes	
	HK\$'000	HK\$'000	HK\$'000	%
The PRC	81,884	131,849	(49,965)	(37.9)
Vietnam	151	18,351	(18,200)	(99.2)
Hong Kong and Macau	11,214	5,592	5,622	100.5
Korea	612	3,670	(3,058)	(83.3)
South East Asia	2,011	3,437	(1,426)	(41.5)
Others	3,408	2,095	1,313	62.7
	99,280	164,994	(65,714)	(39.8)

The PRC market

The PRC continues to be our major market, representing approximately 82.5% of our total revenue for FY2024. Revenue in this region decreased by approximately 37.9% from approximately HK\$131.8 million for FY2023 to approximately HK\$81.9 million for FY2024.

Hong Kong and Macau markets

Hong Kong and Macau markets accounted for approximately 11.3% of our total revenue for FY2024. Revenue in these markets increased by approximately 100.5% from approximately HK\$5.6 million for FY2023 to approximately HK\$11.2 million for FY2024.

Other markets

Revenue from other markets, mainly in Europe, accounted for approximately 3.4% of our total revenue for FY2024. Revenue in these markets increased by approximately 62.7% from approximately HK\$2.1 million for FY2023 to approximately HK\$3.4 million for FY2024.

Furthermore revenue from other Asia markets, mainly in Vietnam, Korea. Revenue in these markets approximately HK\$2.8 million for FY2024, which accounted for approximately 2.8% of total revenue.

Cost of sales

Cost of sales increased by approximately 16.3% from approximately HK\$77.9 million for FY2023 to approximately HK\$90.7 million for FY2024.

Gross profit

Our gross profit decreased by approximately HK\$78.4 million or approximately 90.1% from approximately HK\$87.1 million for FY2023 to approximately HK\$8.6 million for FY2024, the gross profit margin approximately 52.8% for FY2023 to approximately 8.7% for FY2024.

Other gains and losses, net

Our gains decreased by HK\$5.3 million from approximately HK\$44.2 million for FY2023 to approximately HK\$38.9 million for FY2024.

Distribution expenses

Our distribution expenses decreased by approximately HK\$29.7 million or approximately 52.8% from approximately HK\$56.2 million for FY2023 to approximately HK\$26.5 million for FY2024.

Administrative expenses

Our administrative expenses increased by approximately HK\$9.6 million or approximately 19.0% from approximately HK\$50.4 million for FY2023 to approximately HK\$60.0 million for FY2024.

Finance costs

Our finance costs increased by approximately HK\$0.7 million or approximately 7.3% from approximately HK\$9.3 million for FY2023 to approximately HK\$10.0 million for FY2024.

Loss attributable to owners of the Company

We recorded a loss of approximately HK\$47.9 million for FY2024 as compared to profit of approximately HK\$18.9 million for FY2023.

Inventories

Inventories amounted to approximately HK\$288.1 million as at 31 December 2024, which represented a decrease of approximately HK\$36.7 million from approximately HK\$324.8 million as at 31 December 2023.

Trade and other receivables and payables

The Group's trade and other receivables amounted to approximately HK\$143.5 million as at 31 December 2024, which represented an increase of approximately HK\$8.8 million from approximately HK\$134.7 million as at 31 December 2023.

The Group's trade and other payables amounted to approximately HK\$67.8 million as at 31 December 2024, which represented an increase of approximately HK\$0.5 million from approximately HK\$67.2 million as at 31 December 2023.

Liquidity, financial resources and capital structure

As at 31 December 2024, the Group had pledged bank deposits of approximately HK\$Nil (2023: HK\$5.0 million) and non-pledged cash and bank balances of approximately HK\$10.2 million (2023: approximately HK\$5.9 million). As at 31 December 2024, the Group had bank and other borrowings of approximately HK\$338.1 million (2023: approximately HK\$319.2 million), of which approximately HK\$Nil (2023: approximately HK\$12.2 million) were secured and carried with variable interest bearings ranged from 7.67% to 8.63% (2023: 7.67% to 8.63%) per annum; of which HK\$18.0 million (2023: HK\$9.4 million) were unsecured and interest free; and of which approximately HK\$320.1 million (2023: approximately HK\$297.6 million) were unsecured and carried with fixed interest bearings 1.5% to 6% (2023: 1.5% to 6%) per annum. As at 31 December 2024, part of the bank and other borrowings amounted to approximately HK\$1.8 million was repayable over one year and the remaining balance amounted to approximately HK\$336.3 million was repayable within one year.

As at 31 December 2024, the Group's gearing ratio was approximately 331.5% (2023: approximately 190.3%). This was calculated by dividing the bank and other borrowings (including bank and other 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 2024.

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 2024. 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 2024, no bank deposits (2023: approximately HK\$5.0 million) were pledged to secure the short term banking facilities granted to the Group.

Material acquisition and disposal of subsidiaries or associated companies

The Group had no significant investment, material acquisition and disposal of subsidiaries, associates and joint ventures during 2024.

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 FY2024, no significant investments were held by the Group.

Contingent liabilities

As at 31 December 2024, the Group did not have any contingent liabilities.

Employees and remuneration policies

As at 31 December 2024, the Group had a total of 542 full-time employees, which represented an increase of approximately 24.9% compared to 434 employees as at 31 December 2023. Total staff costs for FY2024 increased to approximately HK\$60.4 million from approximately HK\$57.0 million for FY2023.

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 expired on 24 June 2024. No option has been granted under the Share Option Scheme during FY2024.

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 2024 (2023: Nil).

EVENTS AFTER THE REPORTING PERIOD

There was no events after the reporting period as at 31 December 2024.

PROSPECTS

China's overall economic growth is expected to remain stable in 2025. However, the Sino-US trade friction is likely to intensify following the inauguration of the new US president. The impact of tariff policies and macroeconomic factors could contribute to potential uncertainties in global economic development. The external environment is complex and challenging, further affected by changes in domestic industries. These factors are expected to influence the watch industry, making the market sluggish in 2025. Additionally, the recovery momentum of consumption in the Chinese market has been slower than anticipated. With advancements in technology and the growing popularity of smartwatches, the traditional watch industry faces significant challenges. Nevertheless, the Group believes it can sustain the development of the traditional watch industry through continuous innovation in watch design, diversification of styles, and internal adaptations to meet market changes.

Products

In 2025, the Group will prioritize stock clearance, focusing on promoting inventory turnover. By utilizing existing watch inventory for redesigned launches, the backlog of inventory will be effectively reduced. This approach will also speed up delivery times and inventory turnover, minimizing system costs. The production cost and time involved in creating new watches will be optimized for greater cost-effectiveness. The Group remains committed to traditional watch styles and designs while embracing innovation. By gathering market intelligence from various sources and understanding consumer trends, the Group aims to enhance the appearance of its watches, making them fresh and modern to attract consumer attention. This strategy ensures competitiveness in both traditional and smart watch markets.

Brand Promotion

In 2025, a new image counter store will be launched to convey the brand’s romantic, elegant, fashionable, and youthful style, enhancing its visual appeal. To stimulate consumption, the “class purchase” of watches and gifts will be utilized to drive sales growth in terminal stores. New product information and best-selling catalogues will be distributed to stores and distributors nationwide, featuring collections such as the Gary Collection, Star Diamond Collection, urban Collection, and the Classic Cocktail Collection. Influencers will be invited to visit offline stores to promote the brand, enhancing online visibility. Official domestic platforms (e.g., Weibo, WeChat, 小紅書, TikTok, and 快手) and overseas platforms (e.g., Facebook and Instagram) will be utilized for information updates and fan interactions.

The Group will also increase overseas brand promotion by participating in events like the Dubai distribution conference, expanding its ASEAN market presence, and establishing the GASSAN watch store at Singapore’s Changi Airport. These efforts aim to enhance the visibility of Ernest Borel watches in offshore markets. Moving forward, the Group will strengthen its overseas brand promotion, seek development opportunities in new markets, and expand its business scale and market share overseas. In the smartwatch accessories sector, the Group will focus on breakthroughs in high-end R&D technologies such as polishing and jetting, favored by international smartphone and watch manufacturers. These efforts aim to enhance growth potential and maximize shareholder returns.

BUSINESS AND SALES STRATEGY

1. Product Research and Development

In 2025, the domestic market is expected to remain focused on inventory clearance and product renovations. Research and development (R&D) efforts will primarily target overseas markets, where there are greater opportunities for launching new products.

2. Sales Operations

1. *Online and Offline Sales*

Online: The brand will continue to expand its sales scale, capture market share, boost profits, and enhance cash flow. Efforts will focus on acquiring high-quality customers, increasing new accounts for premium stores, and enhancing the stock levels of existing clients and stores. While maintaining and expanding sales scale and profits, a flexible, localized sales strategy of “one place, one policy” will be adhered to.

Offline: Efforts will target third-, fourth-, and fifth-tier cities. Building on existing sales channels, the strategy will emphasize promotional activities with diverse and creative content. Enhancing the decoration and presentation of offline stores to achieve an “innovative and eye-catching” look will help boost sales. Annual promotions will prioritize key areas and stores, offering varied promotional gifts to maximize effectiveness. Self-operated stores will introduce more appealing and consumer-relevant promotional activities.

2. *E-Commerce Sales*

The aim is to increase the scale of e-commerce sales on platforms like Tmall, JD self-operated, and POP stores. This includes improving product segmentation, optimizing page details (such as main images and videos), and enhancing page performance to achieve higher retention and conversion rates. For Vip Shop, maintaining excellent communication and service with partners, especially regarding product supply and pricing systems, will be essential. Close daily collaboration with partners and platforms, along with attentive monitoring of product and sales data, will support stable sales performance.

3. *Sales in Hong Kong, Macau, Other Asia, Overseas, and Duty-Free Shopping Systems*

In addition to expanding into the Southeast Asian and North American markets, this year we will also explore business opportunities in the Dubai market. For the Asian market, efforts will focus on strengthening sales in Singapore duty-free shops, enhancing the brand image, and increasing the presence of duty-free shops at airports worldwide. We will continue exploring the North American market and work toward global integration of the Group's watch products.

4. *Strengthening Marketing Integration Within the Group*

We aim to enhance resource sharing and marketing collaboration with our sister brands to amplify the Ernest Borel brand's influence in the global market. Efforts will include leveraging marketing synergies, both domestically and internationally, to improve information sharing regarding Ernest Borel's activities. This includes innovations in Swiss materials, sharing marketing materials across countries, and releasing content through multi-national marketing accounts and channels. These actions will keep global consumers informed of brand developments and maximize the impact and efficiency of resource investments.

Additionally, we will emphasize the Swiss-inspired style and international appeal of the brand to improve consumer recognition.

5. *R&D of Smart Watch Accessories*

The smart watch accessories processing and production plant will focus on developing innovative watch accessories and processes, striving to secure more R&D patents to create unique products. These advancements will foster synergies with traditional watch businesses. In the future, the company will aim to design more distinctive watch accessories, diversifying the product portfolio and leading the market in innovation.

3. Incentive Mechanisms

1. Implement a strict performance appraisal system for each sales department, emphasizing three key indicators: invoicing, payment collection, and profit. These are directly linked to the company's annual business objectives.
2. Introducing a comprehensive assessment system for functional departments. Incentives will be provided based on each department's contribution upon achieving the company's goals.
3. Research and analyze the incentive mechanisms of other companies in the market to evaluate their feasibility and implement effective strategies.

CONCLUSION

As we enter the new year, reflecting on the past and envisioning the future, we recognize that the business environment presents greater challenges than ever before. However, under the guidance of the Board of Directors, we remain confident in the development of the brand. Together, we will work diligently and collaboratively to achieve our established targets and plans.

REVIEW OF ANNUAL RESULTS

The Company has established an audit committee (the “**Audit Committee**”) but has not in compliance with Rule 3.10(1) and 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) (i) the number of independent non-executive directors is less than three as required under Rule 3.10(1) of the Listing Rules and (ii) the number of members of the Audit Committee is less than three as required under Rule 3.21 of the Listing Rules.

The Board is currently identifying suitable candidate to fill the vacancy and will ensure that an additional independent non-executive director will be appointed as soon as practicable to ensure compliance with Rules 3.10(1) and 3.21 of the Listing Rules. The Company will release a further announcement as and when appropriate.

The Company in compliance with code provision C.3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the “**CG Code**”, version up to 31 December 2024) for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. Currently, the Audit Committee comprises two members, namely Mr. Yu Chi Kit (who is also the chairman of the Audit Committee) 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 FY2024 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 FY2024.

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

During the year ended 31 December 2024, 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 FY2024 (2023: Nil).

ANNUAL GENERAL MEETING (“AGM”)

The AGM will be held in Hong Kong in 2025. Notice of the AGM will be issued and disseminated to the Company’s shareholders in due course.

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 2024 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 FY2024 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, 28 March 2025

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

<i>Executive Directors:</i>	Mr. Teguh Halim and Ms. Lam Lai
<i>Non-executive Director:</i>	Mr. Xiong Ying
<i>Independent Non-executive Directors:</i>	Mr. Yu Chi Kit and Ms. Chan Lai Wa