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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 2021

FINANCIAL HIGHLIGHTS

- Revenue for the financial period ended 30 June 2021 (“**1HFY2021**”) increased from approximately HK\$38.2 million to approximately HK\$80.1 million when compared with the corresponding period of last year (“**1HFY2020**”).
- Gross profit margin increased from approximately 54.6% for 1HFY2020 to approximately 69.6% for 1HFY2021. Gross profit increased from approximately HK\$20.9 million for 1HFY2020 to approximately HK\$55.8 million for 1HFY2021.
- Loss after tax decreased from approximately HK\$10.1 million for 1HFY2020 to approximately HK\$4.8 million for 1HFY2021.
- Basic loss per share was approximately HK1.37 cents for 1HFY2021 and was approximately HK2.91 cents for 1HFY2020.

RESULTS

The board of directors (the “**Board**”) of Ernest Borel Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of our Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 as follows:

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

For the six months ended 30 June 2021

		For the six months ended 30 June	
	<i>NOTES</i>	2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue		80,113	38,236
Cost of sales		(24,315)	(17,374)
Gross profit		55,798	20,862
Other gains and losses, net		744	(2,145)
Other income		70	762
Distribution expenses		(31,422)	(16,810)
Administrative expenses		(23,013)	(12,065)
Finance costs		(6,789)	(5,621)
Loss before tax	5	(4,612)	(15,017)
Income tax (expense)/credit	4	(149)	4,902
Loss for the period attributable to owners of the Company		(4,761)	(10,115)
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit scheme		676	525
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(8,369)	3,273
Other comprehensive income for the period		(7,693)	3,798
Total comprehensive income for the period		(12,454)	(6,317)
Loss per share — (expressed in HK cents)			
Basic and diluted	7	(1.37)	(2.91)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
		39,975	40,330
Property, plant and equipment			
Rental deposits	8	1,507	955
		<hr/> 41,482	<hr/> 41,285
Current assets			
Inventories		361,141	359,609
Trade and other receivables	8	55,733	54,046
Restricted bank deposits		–	1,354
Bank balances and cash		24,537	18,402
		<hr/> 441,411	<hr/> 433,411
Current liabilities			
Trade and other payables	9	27,014	24,200
Tax payable		2,544	2,585
Lease liabilities		5,638	4,900
Amount due to a related party		3,370	5,376
Amounts due to fellow subsidiaries		242,522	217,883
Amounts due to directors		17,000	17,000
Bank borrowings		13,000	19,384
		<hr/> 311,088	<hr/> 291,328
Net current assets		<hr/> 130,323	<hr/> 142,083
Total assets less current liabilities		<hr/> 171,805	<hr/> 183,368

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Non-current liabilities		
Lease liabilities	10,561	8,330
Bank borrowings	4,215	4,397
Deferred tax liabilities	14,087	14,266
Pension obligation	3,552	4,531
	<u>32,415</u>	<u>31,524</u>
Net assets	<u>139,390</u>	<u>151,844</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	3,474	3,474
Reserves	135,916	148,370
	<u>139,390</u>	<u>151,844</u>
Total equity	<u>139,390</u>	<u>151,844</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 2020 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 2021.

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 2020 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 2020 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
People's Republic of China ("PRC")	78,793	36,283
Hong Kong and Macau	592	708
Others (mainly in Southeast Asia and Europe)	728	1,245
	<u>80,113</u>	<u>38,236</u>

Information about major customers

During the period, there is no revenue from customers contributing over 10% of the total sales of the Group (1HFY2020: Nil).

4. INCOME TAX EXPENSE/(CREDIT)

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	–	–
Switzerland Income Tax	91	69
PRC Enterprise Income Tax	–	–
	<u>91</u>	<u>69</u>
Deferred tax charge/(credit)	<u>58</u>	<u>(4,971)</u>
Income tax expense/(credit) for the period	<u>149</u>	<u>(4,902)</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 2020: 8.5%) and Cantonal Communal Tax ("CCT") of 11.47% (six months ended 30 June 2020: 11.47%).

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 2020: 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

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss before tax has been arrived at after charging/(crediting):		
Provision for impairment loss of trade receivables	491	10
Cost of inventories recognised as expenses, including	24,315	17,374
— Reversal of allowance for inventories	(11,937)	(1,974)
Depreciation of property, plant and equipment	7,293	3,252
	<u>25,135</u>	<u>19,992</u>
Staff costs (including directors' emoluments):		
— Salaries and other benefits	25,135	19,992
— Retirement benefits scheme contributions	2,872	2,037
	<u>28,007</u>	<u>22,029</u>
Total staff costs	<u>28,007</u>	<u>22,029</u>

6. DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the six months ended 30 June 2021 is based on the loss attributable to the owners of the Company of HK\$4,761,000 (six months ended 30 June 2020: HK\$10,115,000) and on the weighted average number of 347,437,000 (six months ended 30 June 2020: 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 2021 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 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Non-current:		
Rental deposits	<u>1,507</u>	<u>955</u>
Current:		
Trade receivables, gross	63,031	62,645
Less: impairment loss allowance	<u>(20,955)</u>	<u>(18,608)</u>
Trade receivables, net	<u>42,076</u>	<u>44,037</u>
Other receivables	2,759	1,646
Other tax recoverable	903	2,691
Prepayments	7,981	3,651
Deposits	<u>2,014</u>	<u>2,021</u>
	<u>13,657</u>	<u>10,009</u>
Total current trade and other receivables	<u>55,733</u>	<u>54,046</u>
Total trade and other receivables	<u>57,240</u>	<u>55,001</u>

Included in the trade receivables, amounts of HK\$6,807,000 (31 December 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:

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
0–90 days	26,751	29,728
91–180 days	11,815	11,932
181–270 days	2,432	1,450
Over 270 days	<u>1,078</u>	<u>927</u>
	<u>42,076</u>	<u>44,037</u>

9. TRADE AND OTHER PAYABLES

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Trade payables	17,615	13,785
Other payables	2,775	2,689
Accruals	5,259	6,176
Contract liabilities arising from sales of goods	1,365	1,550
	<u>27,014</u>	<u>24,200</u>

Included in the trade payables, amount of HK\$1,539,000 (31 December 2020: HK\$ nil) is due to a fellow subsidiary 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 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
1–30 days	8,486	8,576
31–60 days	922	1,689
Over 60 days	8,207	3,520
	<u>17,615</u>	<u>13,785</u>

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 165 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 2021, the Group has a total of 808 points of sale (“**POS**”).

Ernest Borel recorded a revenue of approximately HK\$80.1 million (1HFY2020: approximately HK\$38.2 million), representing an increase of approximately 109.5%. Gross profit and gross profit margin increased to approximately HK\$55.8 million (1HFY2020: approximately HK\$20.9 million) and increased to approximately 69.6% (1HFY2020: approximately 54.6%) respectively. Consequently, loss attributable to equity holders amounted to approximately HK\$4.8 million.

Overview

In the first half of 2021, although many countries around the world were still affected by the novel coronavirus (“**COVID-19**”) outbreak, the PRC (the Company’s core market) had implemented and lifted its lockdown policies earlier than many other countries. Because of the positive consumer sentiments in various cities in the PRC, higher sales in the premium watch market were recorded. The Group’s revenue also doubled compared with that of the same period of last year.

In Hong Kong, Macau and overseas markets, as quarantine and access control measures for residents and visitors implemented by the respective governments were still 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 Group has been closely monitoring market conditions, making appropriate adjustments and devoting resources into the development and expansion of its e-commerce business in the PRC by selling products exclusively available for the e-commerce market on a number of mainstream online sales platforms such as Tmall and JD.com, which had a continuous positive impact on the Group’s revenue.

The PRC market

The PRC remains the core market of the Group. As at 30 June 2021, the Group had 694 POS in the country. Revenue from the PRC segment increased by approximately 117.2% from approximately HK\$36.3 million for 1HFY2020 to approximately HK\$78.8 million for 1HFY2021, accounting for approximately 98.4% of total revenue.

Hong Kong and Macau markets

As at 30 June 2021, the Group had 39 POS in Hong Kong and Macau markets. Sales in these markets decreased by approximately 16.4% from approximately HK\$0.7 million for 1HFY2020 to approximately HK\$0.6 million for 1HFY2021, accounting for approximately 0.7% of total revenue.

Other markets

As at 30 June 2021, the Group had 75 POS in the other markets, mainly in Southeast Asia and Europe. Sales in these markets decreased by approximately 41.5% from approximately HK\$1.2 million for 1HFY2020 to approximately HK\$0.7 million for 1HFY2021, accounting for approximately 0.9% of total revenue.

FINANCIAL REVIEWS

Revenue and segment information

Our revenue increased by approximately HK\$41.9 million or approximately 109.5% from approximately HK\$38.2 million for 1HFY2020 to approximately HK\$80.1 million for 1HFY2021.

Performance by geographical location

	1HFY2021	1HFY2020	Changes	
	HKD	HKD	HKD	
	(in million)	(in million)	(in million)	%
PRC market	78.8	36.3	42.5	117.2
Hong Kong and Macau markets	0.6	0.7	(0.1)	(16.4)
Other markets mainly in Southeast Asia and Europe	0.7	1.2	(0.5)	(41.5)
Total	80.1	38.2	41.9	109.5

Cost of Sales

Cost of sales increased by approximately HK\$7.0 million or approximately 40.0% from approximately HK\$17.3 million for 1HFY2020 to approximately HK\$24.3 million for 1HFY2021.

Gross profit

Our gross profit increased by approximately HK\$34.9 million or approximately 167.5% from approximately HK\$20.9 million for 1HFY2020 to approximately HK\$55.8 million for 1HFY2021. The increase in gross profit was mainly attributable to increase in revenue as compared to the same period in 2020. The gross profit margin increased from approximately 54.6% for 1HFY2020 to approximately 69.6% for 1HFY2021.

Other gains and losses

We recorded other gains of approximately HK\$0.7 million for 1HFY2021 as compared to other losses of approximately HK\$2.1 million for 1HFY2020.

Distribution expenses

Our distribution expenses increased by approximately HK\$14.6 million or approximately 86.9% from approximately HK\$16.8 million for 1HFY2020 to approximately HK\$31.4 million for 1HFY2021, representing approximately 39.2% of our total revenue for 1HFY2021 (1HFY2020: approximately 44.0%).

Administrative expenses

Our administrative expenses increased by approximately HK\$10.9 million or approximately 90.7% from approximately HK\$12.1 million for 1HFY2020 to approximately HK\$23.0 million for 1HFY2021.

Finance costs

Our finance costs increased by approximately HK\$1.2 million or approximately 20.8% from approximately HK\$5.6 million for 1HFY2020 to approximately HK\$6.8 million for 1HFY2021.

Loss for the period attributable to owners of our Company

Our net loss decreased from approximately HK\$10.1 million for 1HFY2020 to approximately HK\$4.8 million for 1HFY2021, representing a decrease of approximately HK\$5.3 million or approximately 52.9%.

Inventory

Inventory amounted to approximately HK\$361.1 million as at 30 June 2021, which represented an increase of approximately HK\$1.5 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\$57.2 million as at 30 June 2021, which represented an increase of approximately HK\$2.2 million from approximately HK\$55.0 million as at 31 December 2020.

The Group's trade and other payables amounted to approximately HK\$27.0 million, which represented an increase of approximately HK\$2.8 million from approximately HK\$24.2 million as at 31 December 2020.

Liquidity, financial resources and capital structure

As at 30 June 2021, the Group had non-pledged cash and bank balances of approximately HK\$24.5 million (31 December 2020: approximately HK\$18.4 million). As at 30 June 2021, the Group had bank and other borrowings of approximately HK\$280.1 million (31 December 2020: approximately HK\$264.0 million), of which approximately HK\$17.2 million (31 December 2020: approximately HK\$23.8 million) were secured and carried with variable interest bearings ranged from 0% to 3.76% (31 December 2020: 0% to 5.24%) per annum; and of which approximately HK\$262.9 million (31 December 2020: approximately HK\$240.2 million) were unsecured and carried with fixed interest bearings ranged from 5% to 6% (31 December 2020: 5% to 6%) per annum. As at 30 June 2021, part of the bank and other borrowings amounted to approximately HK\$4.2 million was repayable over one year and the remaining balance amounted to approximately HK\$275.9 million was repayable within one year.

As at 30 June 2021, the Group's gearing ratio was approximately 201.0% (31 December 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, amount due to ultimate holding company and amounts due to directors) by total equity attributable to owners of the Company as at 30 June 2021.

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 2021, the Group had no charge on the Group's assets (31 December 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 1HFY2021.

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 2021.

Contingent liabilities

As at 30 June 2021, the Group did not have any material contingent liabilities (31 December 2020: Nil).

Interim dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (1HFY2020: Nil).

Employees and remuneration policies

As at 30 June 2021, the Group had a total of 188 full time employees (31 December 2020: 191). Total staff costs, including directors' emoluments, was approximately HK\$28.0 million for 1HFY2021 (1HFY2020: approximately HK\$22.0 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 1HFY2021.

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 2021, the Group did not have material capital commitments (31 December 2020: Nil).

Events after the reporting period

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

PROSPECTS

In the second half of 2021, there is a general view in the market that COVID-19 will continue to influence consumer sentiment and traveller access among countries around the world for a certain period of time, posing challenges to the retail market for premium watches and business environment in different places. However, we will continue to focus on the development of our core markets, closely monitor market dynamics and adjust our strategies in every aspect in a timely manner to maintain our profitability targets.

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.

In August this year, our new promotion of Ernest Borel watches featuring Miss Viann Zhang, the new brand ambassador of Ernest Borel, demonstrated the romantic image of the watches with Viann’s image of a long-haired fairy and her elegance, giving a new vitality to the brand to be felt refreshingly by the consumers.

In terms of online marketing and promotion, the Group will continue to conduct online media conferences and online live streaming promotion through various online e-commerce platforms and social media platforms. In terms of offline marketing and promotion, the Group will also change the promotional materials at every point of sale to posters and lightboxes featuring our new brand ambassador with a view to enhancing sales performance. In November this year, we will participate in the China International Import Expo to be held in Shanghai, which is believed to further enhance the popularity of Ernest Borel and enable more customers from all over the world to get to know the “Ernest Borel” brand, with the hope that sales can be further increased.

Distribution Channels

The Group continues to adopt effective sales strategies and endeavors to explore new POS in markets with growth potential through different brand promotion tactics. Meanwhile, the Group will continue to review the performance of each POS and abandon those with a weak performance. We always maintain good interaction with our clients and understand the needs of valuable local customers, with a view to increasing the sales revenue of POS with better performances and continuously optimise our sales network. In the future, the Group will continue to focus on and develop its business in Hainan Free Trade Zone as appropriate by timely increase of premium POS. Hainan Free Trade Zone is well placed to attract worldwide tourists and local consumers for sight-seeing and consumption, hence we are optimistic about its sales prospects.

E-commerce sales

In terms of e-commerce, competition among peers is increasing. The outbreak of COVID-19 further accelerates the general trend of online shopping by consumers. The Group will continue to monitor market conditions and timely distribute resources to e-commerce with designated professional e-commerce team for more efficient and professional operation of the e-commerce business. In the future, in order to meet customers' needs, we will strive to promote exclusive watches which will be only available for sale in online platforms. Meanwhile, 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

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 global economy remains uncertain as the mutated virus stealthily spread around the globe. Fortunately, after almost two years of struggles, the world possesses sufficient methods and capabilities to fight against the epidemic, and with the increase in COVID-19 vaccination uptakes, we hope that the world will one day be free of COVID-19.

In the future, the Group will still maintain a prudential and active attitude by closely monitoring the development of the epidemic, making ongoing and timely responses and adjustments as well as risk controlling. We will adjust the Group's operation strategies based on our actual situations while controlling operation expense with more caution, in the hope of seizing opportunities amidst difficulties. In conclusion, the Group looks forward to the future and aims to foster constructive development of "Ernest Borel" brand with a view to bringing valuable and sustainable returns for our shareholders in future.

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 2021.

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 2021.

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 2021, 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 2021 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 2021.

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) and the Company (www.ernestborel.ch). The Interim Report of the Company for the six months ended 30 June 2021 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
Shang Jianguang
Chairman

Hong Kong, 30 August 2021

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

Executive Directors: Mr. Shang Jianguang, Mr. Teguh Halim and Ms. Lam Lai

Non-executive Directors: Mr. Xiong Ying and Mr. Tao Li

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