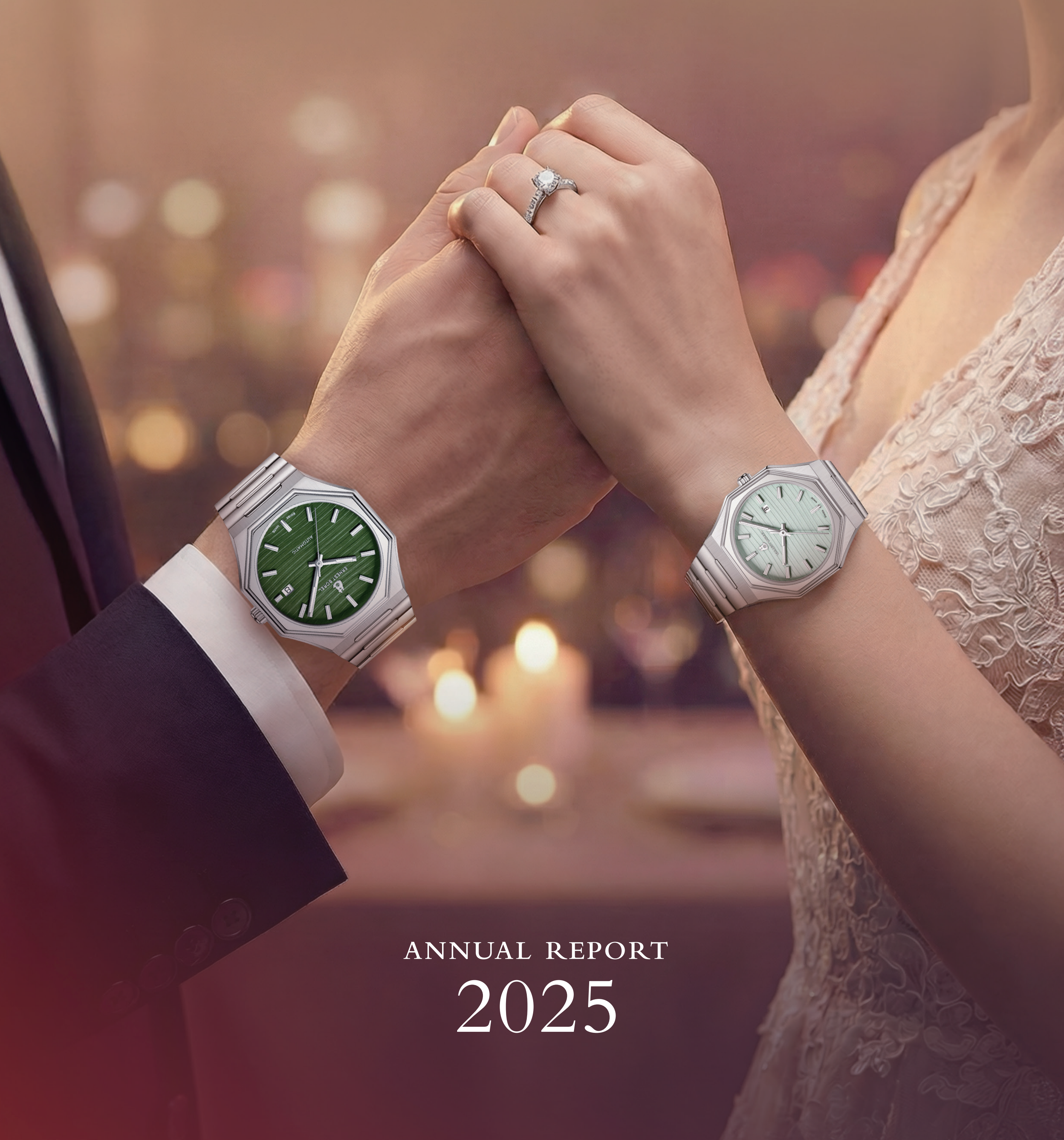
ERNEST BOREL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

STOCK CODE : 1856



ANNUAL REPORT

2025

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Teguh Halim
*(Chairman of the Board of Directors (the "**Board**"))*
Mr. Kong Le

Non-executive Director

Mr. Xiong Ying

Independent Non-executive Directors

Mr. Yu Chi Kit
Mr. Ng Tzyy Yeh Alroy Garrett
Ms. Hong Ting

COMPANY SECRETARY

Ms. Kei Siu Ying

AUDIT COMMITTEE

Mr. Yu Chi Kit *(Chairman)*
Mr. Ng Tzyy Yeh Alroy Garrett
Ms. Hong Ting

REMUNERATION COMMITTEE

Mr. Yu Chi Kit *(Chairman)*
Mr. Teguh Halim
Mr. Ng Tzyy Yeh Alroy Garrett
Ms. Hong Ting

NOMINATION COMMITTEE

Mr. Teguh Halim *(Chairman)*
Mr. Yu Chi Kit
Mr. Ng Tzyy Yeh Alroy Garrett
Ms. Hong Ting

EXECUTIVE COMMITTEE

Mr. Teguh Halim *(Chairman)*
Mr. Kong Le

INVESTMENT COMMITTEE

Mr. Teguh Halim *(Chairman)*
Mr. Kong Le

AUTHORISED REPRESENTATIVES

Mr. Teguh Halim
Ms. Kei Siu Ying

COMPANY'S WEBSITE

www.ernestborel.ch

REGISTERED OFFICE

P.O. Box 31119 Grand Pavilion
Hibiscus Way, 802 West Bay Road
Grand Cayman, KY1-1205
Cayman Islands

HEAD OFFICE IN SWITZERLAND

8, rue des Perrières
2340 Le Noirmont
Switzerland

OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

EBOHR Building
Jin'an Road, Guangming
New District, Shenzhen,
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN HONG KONG

Unit J, 12/F,
Fu Cheung Centre,
Nos. 5-7 Wong Chuk Yeung Street,
Fotan, Shatin, H.K
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Vistra (Cayman) Limited
P.O. Box 31119 Grand Pavilion
Hibiscus Way, 802 West Bay Road
Grand Cayman, KY1-1205
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

INDEPENDENT AUDITOR

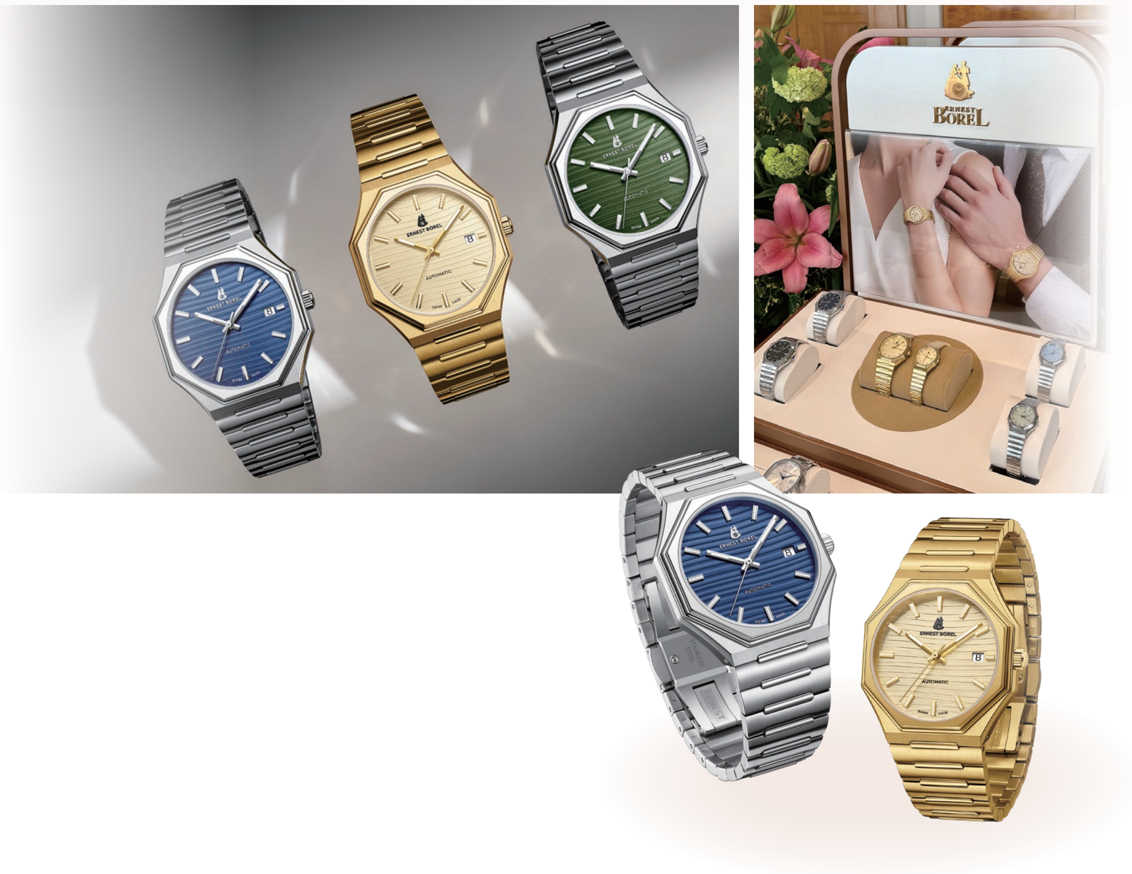
BDO Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
25 Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKER

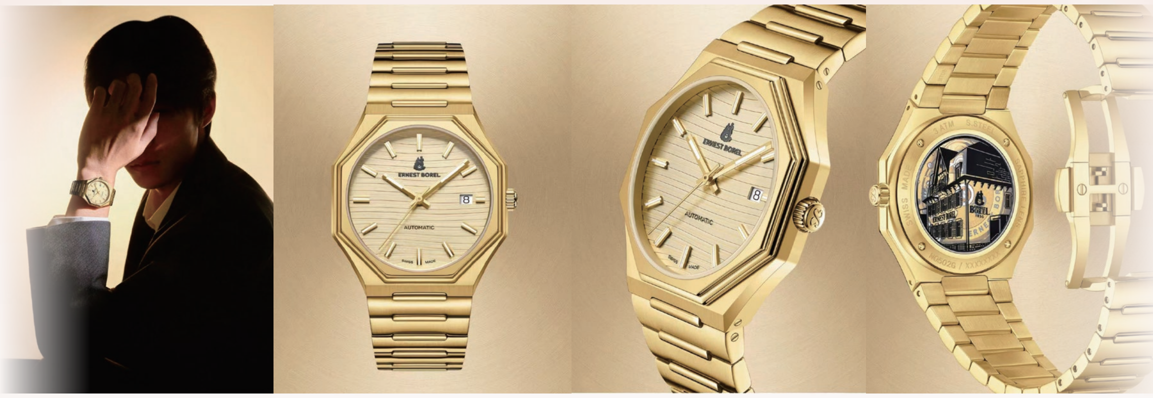
Hang Seng Bank Limited

FINANCIAL HIGHLIGHTS

- Turnover for the financial year ended 31 December 2025 (“**FY2025**”) decreased from approximately HK$99.3 million to approximately HK$79.3 million when compared with the financial year ended 31 December 2024 (“**FY2024**”).
- Gross profit margin decreased from approximately 8.7% for FY2024 to approximately 4.1% for FY2025. Gross profit decreased from approximately HK$8.6 million for FY2024 to approximately HK$3.3 million for FY2025.
- Loss attributable to the owners of the Company for FY2025 was approximately HK$52.5 million (FY2024: approximately HK$47.9 million).
- Loss per share for FY2025 was approximately HK$14.57 cents (FY2024: approximately HK$13.31 cents).
- The Board has resolved not to recommend any payment of a final dividend for FY2025 (FY2024: Nil).



CHAIRMAN'S STATEMENT

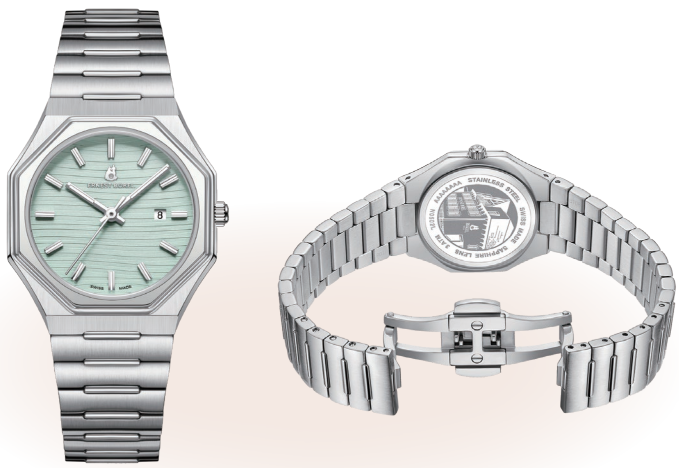


Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Ernest Borel Holdings Limited ("**Ernest Borel**", the "**Company**" or "**We**"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2025.

In 2025, although the external environment gradually recovered, the traditional watch and smartwatch manufacturing industries still faced structural challenges. The group's revenue declined from approximately HKD99.3 million in 2024 to about HKD79.35 million, a decrease of about 20.1%. The gross profit was approximately HKD3.3 million, with a gross profit margin dropping to about 4.1%. Although the results were not ideal, we have initiated a series of adjustments in cost control, asset structure and operational efficiency to lay the foundation for future recovery.

In terms of business performance, the Chinese market remains the core revenue source for the group, accounting for about 74.5% of total revenue. However, due to changes in consumer patterns and intensified competition, revenue from China dropped from approximately HKD81.84 million to around HKD59.09 million, a decline of about 27.8%. The Hong Kong and Macau markets remained relatively stable during the year, with revenue of about HKD10.23 million, only a slight decrease of approximately 8.8% from last year. In other markets, sales in Europe significantly declined, while other Asian markets, including India, Vietnam and South Korea are recorded substantial year-on-year growth with 2025 revenue of about HKD8.9 million, reflecting the potential of a diversified regional layout.



Chairman's Statement

The group has also made proactive adjustments in cost and resource utilization. Sales costs decreased by about 16.1% year-on-year, while distribution and administrative expenses reduced by approximately 10.0% and 7.7%, respectively, indicating that the management team has begun to implement expenditure optimization measures at the operational level. At the same time, the group prudently managed its working capital and leverage levels, maintaining the funding flexibility required for daily operations despite a slight increase in financing costs.

In the traditional watch brand business, we continue to uphold the "Swiss Made" and "Romantic Couples" brand positioning, maintaining brand vitality through product design optimization, inventory redesign and innovative marketing. During the year, we launched a co-branded series of watches with Ocean Park Hong Kong centered around the concept of "Love in the Moment," successfully infusing the brand with youthful and diverse elements, enhancing market attention and relevance.

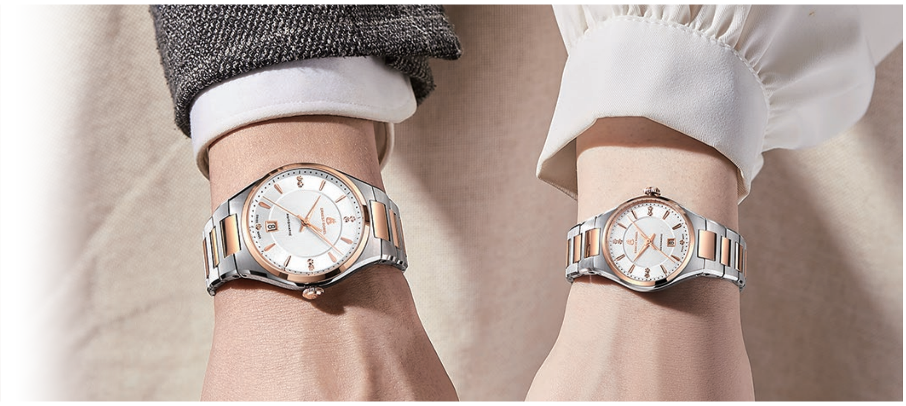
In the smartwatch and manufacturing business, the group continues to enhance craftsmanship and technical standards, becoming a supplier for multiple international smartphone and watch brands and extending product offerings to tablet accessories and other hardware components. This segment has a clear synergy with the group's watch business, providing reliable casing and accessory supplies for brands while creating diversified income sources for the group. It is expected to become an important growth engine driving overall performance in the future.

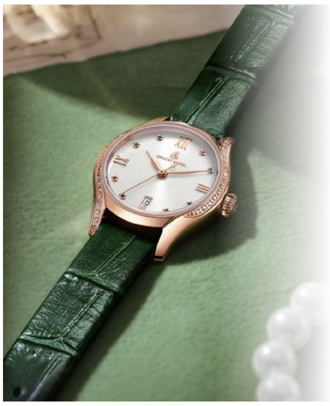
Looking ahead to 2026, we believe that the macro environment remains challenging but also presents new opportunities. As the global economy continues to recover and the domestic market in China gradually solidifies, mid-to-high-end consumption, along with travel and tourism-related scenarios is expected to bring new demand momentum for watches and accessories. However, the widespread adoption of smartphones and wearable devices will continue to change consumer habits regarding timekeeping products, necessitating traditional watches to further distinguish themselves in functionality, design and emotional value.

To this end, the board and management have established clear priorities for 2026. We will focus on clearing and revitalizing inventory domestically, enhancing the value of existing resources through redevelopment and redesign, while allocating more R&D resources to overseas markets to launch more internationally-oriented and design-centric series to capture incremental demand. We will deepen our engagement on mainstream e-commerce platforms, optimize content marketing, customer service conversion and pricing management, while actively developing live streaming and private domain channels to tell the story of the brand in a way that resonates with younger consumers.

Finally, on behalf of the board, I would like to express heartfelt gratitude to all shareholders, customers, business partners and all employees. The year 2025 has been one of adjustment and restructuring for the group. We are aware that the results do not yet reflect the true potential of the brand and assets. Looking forward to 2026, we will pursue sustainable and quality growth with more rigorous cost discipline, more focused market strategies and a more proactive spirit of innovation, striving to create long-term value for our shareholders.

Mr. Teguh Halim
Chairman
30 March 2026





BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Teguh Halim (“Mr. Halim”), aged 44, was appointed as the chief executive officer on 30 June 2024, an Executive Director and Vice Chairman of the Board of the Company on 12 October 2018. He was also appointed as a member of the Remuneration Committee, Executive Committee and Investment Committee of the Company on 12 October 2018. Mr. Halim has been re-designated as the Chairman of the Board, the chairman of Nomination Committee, Executive Committee and Investment Committee on 5 January 2022. Currently, Mr. Halim is an Executive Director of Citychamp Watch & Jewellery Group Limited (“**Citychamp**”), a company listed on the main board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with stock code 256, and which, as at the date of this annual report, holds 52.97% equity interest in the Company through VGB Limited (“**VGB**”), a wholly-owned subsidiary of Citychamp and a direct controlling shareholder of the Company. Mr. Halim is a director of VGB and several subsidiaries of the Company. Mr. Halim joined Citychamp in October 2008 and has been appointed as an Executive Director of Citychamp since 23 January 2018. Before being appointed as the Executive Director of Citychamp, he was a Vice President of Citychamp. Mr. Halim is also the director of several subsidiaries of Citychamp and the Company engaged in watch business. He has gained years of experience in the watch industry and financial business management. Mr. Halim graduated from Ohio State University as bachelor of science in business administration majoring in accounting.

Mr. Kong Le (“Mr. Kong”), aged 58, he holds a Master of Business Administration from Peking University’s Guanghua School of Management. He obtains 33 years of extensive experience in the watch industry. He joined the subsidiary EBOHR Luxuries International Limited (“**EBOHR**”) of Citychamp in 1993, witnessing EBOHR’s journey from its inception and growth to becoming a renowned watch brand. Over the years, he has held positions such as Director of the Information Center, Assistant General Manager, Deputy General Manager, Executive Deputy General Manager and was appointed General Manager and Director in 2021. He also serves as a director of EBOHR Luxuries Online E-commerce Co., Ltd. and PAMA Precision Manufacturing Ltd. Mr. Kong has been actively involved in the Watch Industry as the Vice Chairman of the China Watch Association, Vice President of the Guangdong Province Watch Industry Association, Vice President of the Shenzhen Watch Industry Association and Vice President of the Shenzhen Intelligent Wearable Industry Federation. He has represented the watch industry in various social initiatives, promoting high-quality development within the industry. He possesses profound theoretical knowledge and extensive practical experience in areas such as enterprise operations and management, macroeconomics, information technology, marketing and brand building, supply chain management and e-commerce.

NON-EXECUTIVE DIRECTOR

Mr. Xiong Ying (“Mr. Xiong”), aged 53, was appointed as the Non-executive Director of the Company on 31 October 2018. Mr. Xiong graduated from the Department of International Finance & Trade at Shenzhen University in 1995 and worked in the property insurance project department of Shenzhen Pacific Insurance Company Limited* (深圳太平洋保險有限公司) from 1995 to 2000. Mr. Xiong obtained a degree of master of business administration from Peking University in 2002. After that, Mr. Xiong worked in the securities investment department at Beijing Gehua Cable Co., Ltd.* (北京歌華有線股份有限公司) from 2003 to 2005. Since 2006, Mr. Xiong has been a director of Beijing P&C Investment Limited* (北京共和同創投資有限公司).

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Chi Kit, aged 47, was appointed as an Independent Non-executive Directors, chairman of Audit Committee and Remuneration Committee, Member of the Nomination Committee on 11 June 2024. He holds a bachelor's degree in business administration from The Chinese University of Hong Kong. He is also a member of the Hong Kong Institute of Certified Public Accountants, Institute of Chartered Accountants in England and Wales and The Hong Kong Chartered Governance Institute. He was appointed as an independent non-executive director of Zhengwei Group Holdings Company Limited (Stock Code: 2147) from 15 January 2025, Jinchuan Group International Resources Co. Ltd (Stock Code: 2362) from 6 November 2021. He was previously the financial controller and company secretary of Central China Real Estate Limited (Stock Code: 0832) from 3 May 2022 to 1 September 2023, the chief financial officer, company secretary and authorized representative of Xiwang Special Steel Company Limited (Stock Code: 1266) and Xiwang Property Holdings Company Limited (Stock Code: 2088) from 1 November 2019 to 1 April 2022. He was previously the company secretary and authorized representative of China Development Bank International Investment Limited (Stock Code: 1062) from 20 June 2016 to 25 April 2019 and South China Assets Holdings Limited (Stock Code: 8155) from 1 April 2010 to 10 January 2011. He also has over eight years auditing experience in international accounting firms. He has extensive experience in accounting, auditing, and company secretarial practice in Hong Kong.

Mr. Ng Tzyy Yeh Alroy Garrett ("Mr. Ng"), aged 47, is a Hong Kong solicitor. Mr. Ng holds a bachelor of Laws (Honours) and a bachelor of Business Administration in Accounting and Finance. He has worked in several local and international law firms for more than 10 years. His practice focuses on corporate finance, with an emphasis on initial public offerings, secondary market fundraisings, listed company compliance, and related transactions. He also worked in the legal department of a state-owned enterprise listed on the Stock Exchange, providing legal advice and support to the enterprise's domestic and overseas financing, compliance, litigation, and investment management. Mr. Ng has more than 16 years of experience in the legal field and is currently a practising lawyer at a law firm, In addition to handling corporate finance, corporate compliance and other civil and commercial matters. He also worked in the audit and insolvency departments of international accounting firms for several years, he is a fellow member of the Hong Kong Institute of Certified Public Accountants.

Ms. Hong Ting ("Ms. Hong"), aged 40, Ms. Hong obtained a Bachelor of Business Administration degree from The Chinese University of Hong Kong in 2008. She has over 18 years of professional experience in accounting, assurance, taxation and consulting. In addition to handling multiple initial public offerings (IPOs), rights issues and very substantial acquisitions or disposals. She has extensive experience in audit services for listed companies and multinational corporations. Her clients span various industries, including real estate development, retail and manufacturing, natural resources development and trade, electricity and natural gas distribution and development and film and entertainment. Ms. Hong is very familiar with financial reporting standards, listing rules and corporate regulations, she has rich experience in procedures and requirements related to mergers and acquisitions and initial public offerings, including internal controls and due diligence.

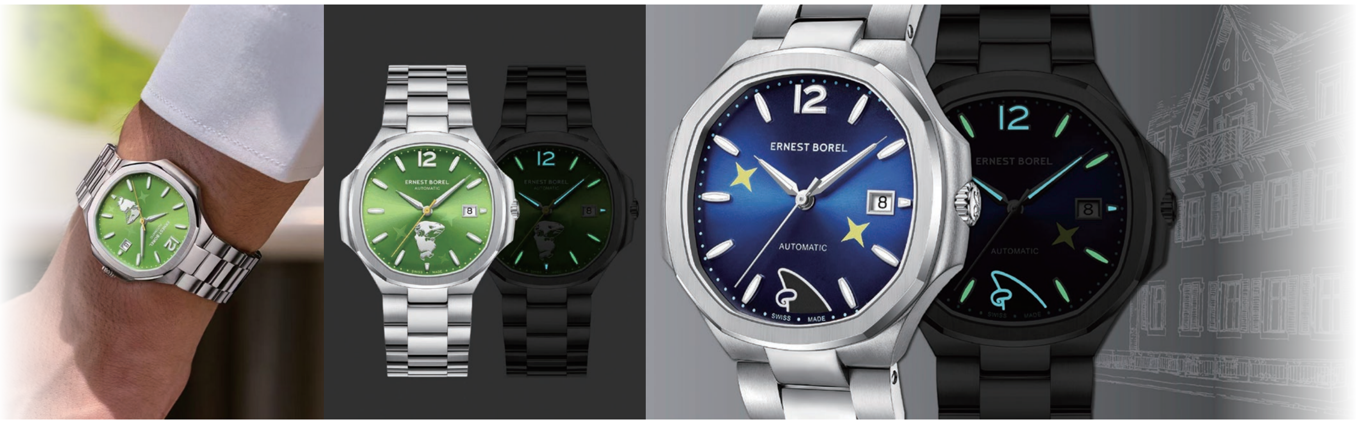
Currently, Ms. Hong has served as the managing partner of Rongcheng (Hong Kong) CPA Limited. Prior to that, she worked for over ten years at Deloitte Hong Kong. She has led multiple audit projects for large listed companies in Hong Kong and Mainland China, possessing a wealth of professional service and corporate consulting management experience. Currently, she is an Independent Non-Executive Director of Yun Lee Marine Group Holdings Limited (2682.HK), World Houseware (Holdings) Limited (713.HK), Yinsheng Digifavor Company Limited (3773.HK), Qingdao Gon Technology Co., Limited (002768.SZ & 002768.HK) and ALSCO Pooling Service Co., Ltd (2649.HK).

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT
COMPANY SECRETARY

Ms. Kei Siu Ying ("Ms. Kei") has been appointed as the Company Secretary and the Authorised Representatives of the Company with effect from 15 January 2024. Ms. Kei holds a Master degree in Corporate Governance and a Bachelor degree of Arts (Honours) in Business Enterprise. She is an associate member of the Hong Kong Chartered Governance Institute. Ms. Kei has over 10 years of working experience in providing administration, accounting and corporate secretarial work and amongst which, she has extensive experience in administration, accounting and corporate secretarial practice.

* *For reference only.*



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Established since 1856 in Switzerland, boasting a glorious history of year 169 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 2025, the Group has more than 689 POS.

Ernest Borel recorded a revenue of approximately HK$79.3 million (2024: approximately HK$99.3 million), representing a year-on-year decrease of approximately 20.1%, and gross profit and gross profit margin decreased to approximately HK$3.3 million (2024: approximately HK$8.6 million) and approximately 4.1% (2024: approximately 8.7%), respectively. Consequently, loss attributable to equity holders amounted to approximately HK$52.5 million in FY2025 (2024: loss attributable to equity holders of approximately HK$47.9 million).

OVERVIEW

In 2025, China's economy maintained stable growth, while the global economy showed signs of gradual recovery and financial markets remained active. However, the traditional watch and smart manufacturing businesses continued to face intense competition and business volume still has room for improvement. Overall, the Group's performance fell short of expectations.

Based on a comprehensive analysis, two key challenges have been identified:

1. Changes in consumer lifestyle

With rapid technological advancement, smartphones have become an essential part of daily life. The concept of "one smartphone for everything" is increasingly prevalent, leading to a structural shift in demand for traditional watches.

2. Opportunities for improvement in cost management

Current pricing strategies for orders are often set close to cost, indicating room for enhancement in cost control. The imbalance between sales revenue and expenditures suggests that strengthening cost awareness and financial management will be critical in alleviating financial pressure.

In addition, the Company's cost controls require further strengthening. Business units tend to focus primarily on raw material costs, while insufficient attention is given to indirect expenses such as distribution and administrative costs. Establishing a unified costing framework to accurately determine the true product cost and breakeven point will support more effective pricing strategies going forward.

For both traditional watch and smart watch manufacturing businesses, a clear and disciplined pricing approach will enable more accurate market assessment and help improve profit margins. Through these efforts, we believe the Group will be better positioned to capture opportunities in an increasingly competitive market.

Management Discussion and Analysis

The PRC Market

The PRC remains the core market of the Group. As at 31 December 2025, the Group had around 577 POS in the country. Revenue from the PRC segment decreased by approximately 27.8% from approximately HK$81.9 million for FY2024 to approximately HK$59.1 million for FY2025, which accounted for approximately 74.5% of total revenue.

Hong Kong and Macau Markets

As at 31 December 2025, the Group had around 24 POS in Hong Kong and Macau markets. Revenue in these markets decreased by approximately 8.8% from approximately HK$11.2 million for FY2024 to approximately HK$10.2 million for FY2025, which accounted for approximately 12.9% of total revenue.

Other markets

As at 31 December 2025, the Group had 88 POS in the other markets, mainly in Europe. Revenue in this markets decreased by approximately 66.1% from approximately HK$3.4 million for FY2024 to approximately HK$1.2 million for FY2025, which accounted for approximately 1.4% of total revenue.

The Group revenue from other Asia markets, (mainly in India, Vietnam and Korea). Revenue in these markets approximately HK$8.9 million for FY2025, which accounted for approximately 11.2% of total revenue (FY2024: HK$2.8 million).

FINANCIAL REVIEW

Revenue and segment information

Our revenue decreased by approximately HK$19.9 million, or approximately 20.1% from approximately HK$99.3 million for FY2024 to approximately HK$79.3 million for FY2025.

Performance by geographical locations

	2025	2024	Changes	
	HK$'000	HK$'000	HK$'000	%
The PRC	**59,089**	81,884	**(22,795)**	(27.8)
Vietnam	**6,181**	151	**6,030**	3,993.4
Hong Kong and Macau	**10,225**	11,214	**(989)**	(8.8)
Korea	**775**	612	**163**	26.6
South East Asia	**1,921**	2,011	**(90)**	(4.5)
Others	**1,154**	3,408	**(2,254)**	(66.1)
	79,345	99,280	**(19,935)**	(20.1)

The PRC market

The PRC continues to be our major market, representing approximately 74.5% of our total revenue for FY2025. Revenue in this region decreased by approximately 27.8% from approximately HK$81.9 million for FY2024 to approximately HK$59.1 million for FY2025.

Hong Kong and Macau markets

Hong Kong and Macau markets accounted for approximately 12.9% of our total revenue for FY2025. Revenue in these markets decreased by approximately 8.8% from approximately HK$11.2 million for FY2024 to approximately HK$10.2 million for FY2025.

Other markets

Revenue from other markets, mainly in Europe, accounted for approximately 1.4% of our total revenue for FY2025. Revenue in these markets decreased by approximately 66.1% from approximately HK$3.4 million for FY2024 to approximately HK$1.2 million for FY2025.

Furthermore revenue from other Asia markets, mainly in India, Vietnam and Korea. Revenue in these markets approximately HK$8.9 million for FY2025, which accounted for approximately 11.2% of total revenue.

Cost of sales

Cost of sales decreased by approximately 16.1% from approximately HK$90.7 million for FY2024 to approximately HK$76.1 million for FY2025.

Gross profit

Our gross profit decreased by approximately HK$5.4 million or approximately 62.1% from approximately HK$8.6 million for FY2024 to approximately HK$3.3 million for FY2025, the gross profit margin approximately 8.7% for FY2024 to approximately 4.1% for FY2025.

Other gains and losses, net

Our gains decreased by HK$12.4 million from approximately HK$38.9 million for FY2024 to approximately HK$26.5 million for FY2025.

Including in other gains and losses was impairment loss on property, plant and equipment and intangible assets amounted to HK$4,978,000 and HK$6,884,000, respectively. During the management review of the business performance in or around December 2025, the management is of the view that the 2025 Guaranteed Profit is unlikely to be achieved by Gold Vantage Industrial Limited ("**Gold Vantage**") and its subsidiaries ("**Gold Vantage Group**"). In accordance with the financial statements of Gold Vantage Group for the year ended 31 December 2025, Gold Vantage Group incurred a net loss for the year of approximately HK$25.1 million, which is well short of the 2025 Guaranteed Profit. The Directors engaged an independent valuation firm, Asset Appraisal Limited, (the "**Valuer**") to assist them in evaluating the recoverable amount of Gold Vantage Group. Based on the result of the valuation as prepared by the Valuer, the recoverable amount of Gold Vantage Group is lower than the carrying amount. As a result, impairment losses on property, plant and equipment and intangible assets of HK$4,978,000 (2024: HK$1,407,000) and HK$6,884,000 (2024: HK$1,732,000), respectively have been recognised for the year ended 31 December 2025.

Valuation method and reasons for using that method

Based on the assertion of the fair value, the valuer determines value in use ("**VIU**") by using Discounted Cash Flow ("**DCF**") to assert the recoverable amount of the Gold Vantage Group, the basis of this method are as followings:

1. To estimate the future economic benefits to its present worth of the Gold Vantage Group, the valuer using VIU which is the income producing capability of an asset of the Gold Vantage Group and comply with the discount rate for the calculation.

2. The basis and assumption of VIU's method is through the analysis the economic benefit received over the useful life of the assets of the target Company, to better understanding the future economic benefits to those assets its present worth to Gold Vantage Group.

3. To better understanding the future cash flow of Gold Vantage Group, the Valuer using the Discounted Cash Flow ("**DCF**") for estimation. DCF is the best way to arrive at the opinion of value, which is subtraction from revenue from the operations, operating expenses, general and administrative expenses in the computation of cash flow.

4. The basis and assumption of DCF's method is through the indication of value which is developed by the discounting future debt free cash flows attributable to the assets to their present worth at market-derived rates of return appropriate for the risks.

In conclusion, the reason for determining VIU using by DCF is because based on the actual situation of the Gold Vantage Group, (a) only DCF's method can access the future value of the Gold Vantage Group; and (b) only this method can comply with the accounting standard.

Details of the value of inputs used for the valuation together with the bases and assumptions

The Valuer searched for 6 companies with similar business operation in the market and used their financial data such as Cost of Debt, Tax rate, Beta (volatility of returns for a business) and Cost of Equity to calculate the weighted average cost of capital ("**WACC**") of Gold Vantage Group. The Valuer summaries all parameters used in determining the data as below table:

Indicated Risk Free Rate	1.855%
Risk Premium	9.428%
Estimated leveraged Beta	0.7430 (based on debt-to-equity ratio of 36.43% and tax rate of 25%)
Cost of Equity	20.36% (allowing size premium of 4.50%)
Cost of Debt	4.200%
WACC	15.76%

Taking into account the analysis as mentioned above, the Valuer conclude that a pre-tax discount rate of 15.76% is appropriate for valuing the recoverable amount of Gold vantage Group through value-in-use ("**VIU**") by using the discounted cash flow model.

Based on the orders forecast and the estimated cost expenditures provided by the customers, Valuer formulated the free cash flows in next 5 years of Gold Vantage Group.

(RMB'000)	2026	2027	2028	2029	2030
Revenue	49,380	54,318	59,750	65,725	72,297
Gross Profit	14,143	15,558	17,113	18,825	20,707
EBITDA	231	1,346	2,590	3,974	5,515
Net cash flow	231	1,346	2,590	3,974	5,515

Remarks:

1. The Revenue is the order forecasts provided by the customers.

2. The Gross profit is obtained by deducting cost of goods sold from Revenue.

3. The Profit after taxation is obtained by deducting all company expenses from Gross profit.

In discounting the projected free cash flows mentioned above and the terminal value as deduced by Gordon model using the aforesaid discount rate, the business enterprise value of Gold Vantage Group is calculated at approximately RMB25,454,000 (approximately HK$28,302,000).

Reasons for any significant changes in the value of the inputs and assumptions from the method previously adopted

There is no change in the valuation method between 2025 and 2024.

Distribution expenses

Our distribution expenses decreased by approximately HK$2.6 million or approximately 10.0% from approximately HK$26.5 million for FY2024 to approximately HK$23.9 million for FY2025.

Administrative expenses

Our administrative expenses decreased by approximately HK$4.6 million or approximately 7.7% from approximately HK$60.0 million for FY2024 to approximately HK$55.4 million for FY2025.

Finance costs

Our finance costs increased by approximately HK$0.1 million or approximately 1.2% from approximately HK$10.0 million for FY2024 to approximately HK$10.1 million for FY2025.

Loss attributable to owners of the Company

We recorded a loss of approximately HK$52.5 million for FY2025 (FY2024: approximately HK$47.9 million).

Inventories

Inventories amounted to approximately HK$285.6 million as at 31 December 2025, which represented a decrease of approximately HK$2.5 million from approximately HK$288.1 million as at 31 December 2024.

Management Discussion and Analysis

Trade and other receivables and payables

The Group's trade and other receivables amounted to approximately HK$135.4 million as at 31 December 2025, which represented a decrease of approximately HK$8.1 million from approximately HK$143.5 million as at 31 December 2024.

The Group's trade and other payables amounted to approximately HK$41.2 million as at 31 December 2025, which represented a decrease of approximately HK$26.6 million from approximately HK$67.8 million as at 31 December 2024.

Liquidity, financial resources and capital structure

As at 31 December 2025, the Group had non-pledged cash and bank balances of approximately HK$8.4 million (2024: approximately HK$10.2 million). As at 31 December 2025, the Group had bank and other borrowings of approximately HK$388.9 million (2024: approximately HK$338.1 million), of which approximately HK$10.1 million (2024: HK$2.5 million) were secured and carried with fixed interest bearings ranged from 1.5% to 3.5% (2024: 1.5%) per annum; of which HK$16.5 million (2024: HK$18.0 million) were unsecured and interest free; and of which approximately HK$362.3 million (2024: approximately HK$317.6 million) were unsecured and carried with fixed interest bearings 2.5% to 7% (2024: 1.5% to 6%) per annum. As at 31 December 2025, part of the bank and other borrowings amounted to approximately HK$1.2 million was repayable over one year and the remaining balance amounted to approximately HK$387.7 million was repayable within one year.

As at 31 December 2025, the Group's gearing ratio was approximately 662.6% (2024: approximately 331.5%). 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 2025.

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 2025. 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 2025, no bank deposits (2024: Nil) 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 2025.

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 report.

Significant investments held

During FY2025, no significant investments were held by the Group.

Contingent liabilities

As at 31 December 2025, the Group did not have any contingent liabilities.

Employees and remuneration policies

As at 31 December 2025, the Group had a total of 307 full-time employees, which represented a decrease of approximately 43.5% compared to 542 employees as at 31 December 2024. Total staff costs for FY2025 decreased to approximately HK$50.8 million from approximately HK$60.4 million for FY2024.

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. No Share Option Scheme during FY2025 of the Company.

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 2025 (2024: Nil).

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date, regarding the settlement of 2025 Profit Compensation, 2025 Profit Compensation would be reduced by the outstanding share consideration of the third installment of 12,820,513 consideration shares and the outstanding cash consideration of the third installment of HK$13,333,333.4. For the remaining balances of 2025 Profit Compensation, the Company has agreed with Fair Future Industrial Limited that the balance shall be set off by the current account with Fair Future Industrial Limited and the Group's fellow subsidiaries.

PROSPECTS

Looking ahead to 2026, China's economy is expected to maintain steady growth, while the global economy continues its gradual recovery. The increased activity in financial markets is creating favorable development opportunities across industries. Against this backdrop, both traditional watch and smartwatch manufacturing businesses face new challenges as well as opportunities.

1. Changes in consumer lifestyle

With technological advancements and the widespread adoption of smartphones, consumer lifestyles are undergoing significant transformation. Going forward, the traditional watch market will need to adapt to this trend, potentially by exploring innovative products that integrate smart technologies to attract a new generation of consumers.

2. **Optimization of cost management**

As market competition intensifies, companies will place greater emphasis on cost control and efficiency enhancement. Establishing dedicated cost management roles and a robust cost controlling system will be key to strengthening competitiveness. Through precise cost analysis, companies will be better positioned to formulate effective pricing strategies and enhance profitability.

In this context, a clear and well-defined product pricing strategy will serve as a cornerstone for success in both traditional watch and smart watch manufacturing segments. By gaining deeper insights into market demand and adopting flexible pricing approaches, companies will be able to capture opportunities more effectively and improve profit margins.

Overall, as the industry landscape continues to evolve, we believe that through continuous innovation and improvement, broader growth prospects can be achieved in an increasingly competitive market.

Products

The Group remains committed to continuous innovation in traditional watch designs. By actively gathering market intelligence and closely monitoring trends and consumer preferences, we enhance product aesthetics to better align with customer tastes. These efforts aim to refresh the visual appeal of our products, attract consumer attention and maintain the competitiveness of traditional watches alongside smartwatches.

At the same time, the Group continues to strengthen inventory management by accelerating inventory clearance and improving stock turnover. Existing watch inventory is being redesigned and reintroduced to the market, enabling faster delivery and turnover. This approach helps reduce the time and cost required for manufacturing entirely new products, thereby improving overall cost efficiency.

Brand Promotion

In 2025, the Group strengthened content updates and fan engagement across domestic official platforms (including Vip, Tmall, cdf, JD and TikTok) as well as overseas platforms such as Shopify, Facebook and Instagram, in order to increase online exposure and traffic. Enhance offline store and counter presentation, including lightbox displays and exhibition design to reinforce the brand's image of romantic elegance, youthful energy and modern fashion, thereby improving overall visual appeal. To stimulate end-consumer demand, tiered promotional campaigns featuring gift incentives with watch purchases were implemented, effectively driving sales growth at the retail level.

In addition, as more customers shift toward online shopping, the Group plans to further strengthen its digital brand promotion. This includes leveraging key opinion leaders (KOLs) to conduct live-streaming sessions, enabling direct interaction with consumers and real-time product showcasing and sales through online platforms.

The Group will continue to closely monitor the return on investment of its marketing efforts, ensuring effective resource allocation, avoiding inefficient promotional spending, and maximizing the impact of limited resources.

In 2025, Ernest Borel partnered with Ocean Park Hong Kong to launch the "Ernest Borel × Ocean Park Hong Kong" X-Series co-branded watches. The series features a stylish design with rich visual elements and continues to embody the brand's core concept of "Love in the Moment." By staying closely attuned to market trends and capitalising on the popularity of IP-driven culture, Ernest Borel's sales team introduced this collaboration at an opportune time, successfully injecting new elements into the brand and reshaping the market's traditional perception of it. This cooperation effectively enhanced brand awareness and represented a breakthrough and innovative attempt for Ernest Borel.

As for the smart watch manufacturing business segment, the Group has been enhancing its craftsmanship, including polishing techniques and is positioned at the upper end of the industry. In 2025, through the concerted efforts of all staff, the Company successfully secured orders from several international smartphone and smartwatch brands, and further expanded into product categories beyond watch accessories, such as the production of tablet accessories. At this stage, the Company is actively promoting diversification of its order portfolio and is capable of developing and producing any hardware accessory related products, significantly boosting the potential and capacity for overall business expansion.

BUSINESS AND SALES STRATEGY

1. Product Research and Development

In terms of product development, in 2026 we plan to focus on inventory clearance in the domestic market by re-developing existing stock into new and upgraded models. This approach will enable us to fully leverage available resources and unlock additional value from current inventory.

At the same time, we will allocate the majority of our R&D resources and efforts to overseas markets, aiming to capture new opportunities and introduce more innovative products, thereby further strengthening our brand competitiveness.

2. Sales Operations

1) Offline Sales

Expanding sales scale, capturing market share, enhancing sales profitability and strengthening cash flow turnover remain the core business priorities of the brand.

In 2026, performance growth is expected to be driven primarily by the acquisition of high-quality customers and the opening of new high-potential retail outlets, as well as the growth of existing customers and stores. While maintaining and expanding sales scale and profitability, we will continue to implement flexible and market-oriented sales strategies tailored to specific regions and accounts ("**one strategy per region, one strategy per customer**").

The entire sales team will uphold a mindset of resilience and innovation, adapting proactively to market changes. By capitalizing on the transformation and consolidation of the watch industry, we will actively identify business opportunities and expand market presence. At the same time, we will strengthen customer service awareness, enhance brand image management, provide sales support, closely monitor replenishment to maintain healthy sell-through ratios, deepen communication and relationship management with customers.

In parallel, we will reinforce regional budget accountability by assigning clear responsibilities to designated owners, strengthen accounts receivable collection and customer risk control, further enhance training on brand philosophy, culture and product strengths.

2) E-Commerce & Online Sales

Key priorities include fostering a strong team culture that emphasizes communication, collaboration and an overarching focus on the Company's best interests. We will refine performance indicators and evaluation mechanisms to enhance operational coordination, improve customer service conversion and reduce return rates.

We will gradually optimize product page content and key selling points, strengthening content creation to highlight brand value and product advantages, thereby improving conversion. At the same time, we will make appropriate adjustments to product packaging and gifts to deliver a better customer experience to enhance purchase satisfaction and deepen brand recognition.

Across major e-commerce platforms, including the Tmall flagship store, JD self-operated and POP stores, we will ensure clear product segmentation, optimize page details, main images and videos to improve visual impact to increase user time on page and drive higher conversion rates.

We will also strengthen communication and service with e-commerce partners, particularly in relation to product supply and price system management. By maintaining close day-to-day contact with partners and platforms and closely monitoring sales data to secure stable and sustainable sales output.

In addition, products will be categorized into regular items and clearance items, with strict price management based on inventory depth. For regular products, the e-commerce team will conduct monthly and major promotional campaigns without disrupting the overall pricing structure, while maintaining price consistency between online and offline channels. For overseas markets, the e-commerce team will fully leverage its role in supporting price levels. At the same time, we will actively expand new channels live-streaming and other third-party and private-domain traffic platforms to capture incremental sales growth.

3) Sales in Hong Kong, Macau, Other Overseas and Duty-Free Shopping Systems

We will focus on developing the Southeast Asian market. For Asia, our priority will be to strengthen sales in overseas duty-free channels and refresh brand image in these locations. For the Hong Kong and Macau markets, we will continue to launch customized models, deepen cooperation with group-purchase customers and work to expand duty-free points of sale at major border-crossing locations.

3. Marketing Strategy and Deployment

In 2026, we will continue to closely monitor the relationship between investment and return, striving to enhance the effectiveness of our marketing activities to avoid inefficient promotional efforts and maximize the utilization of limited resources.

We will further strengthen the planning and execution of marketing initiatives, including both online and offline campaigns, participation in trade fairs and sponsorship activities. At the same time to better support the sales team, we will provide dedicated marketing support and develop region-specific promotional programs to improve sales results and market impact.

In parallel, we will place strong emphasis on market research and analysis, conducting in-depth studies of target markets, competitors, consumer behavior and industry trends, so as to provide solid data support for management decision-making.

1) Store Promotion and Marketing

We will continue to drive promotional efforts in lower-tier (third-tier, fourth-tier and fifth-tier) cities. While consolidating the advantages of our existing sales channels, we will focus on promotion-led initiatives with diversified campaign content. By enhancing in-store decoration and display, we aim to “attract customers and retain customers”, thereby supporting sales growth. Annual promotional activities will concentrate on key regions and priority stores, with a broader range of promotional gifts to maximize the effectiveness of our marketing efforts.

2) **Integrated Online and Offline Marketing**

We will achieve seamless integration of online and offline marketing to fully leverage diverse marketing resources to increase brand exposure and attract broader consumer groups particularly younger consumers. By combining traditional media with new media channels, we will execute multi-channel, multi-format brand promotion campaigns to enhance brand recognition and positive sentiment.

3) **Strengthening the "Romantic" and "Couple" Brand Identity**

Ernest Borel brand enjoys global renown for its professional watchmaking expertise and romantic brand DNA. In 2026, we will strengthen consumer interaction through online platforms, utilizing copywriting, images, videos, packaging materials and props across multiple channels to further enhance and enrich consumers' perception of our brand identity, thereby stimulating purchase intent.

4) **Enhancing Internal Marketing Synergy**

We will deepen resource sharing and marketing collaboration with sister brands under the Group to enhance Ernest Borel's global market influence and support sales growth. At the same time, we will optimize the coordination of Ernest Borel's global marketing resources by strengthening information sharing across domestic and international activities, including the discovery of innovative content, cross-country marketing material exchange and synchronized multi-country account and channel publishing. This approach will ensure global consumers stay connected to brand developments anytime, maximizing resource leverage, amplifying investment impact, reinforcing the brand's Swiss manufacturing heritage and international positioning and fostering stronger consumer affinity.

4. Smart Watch Manufacturing Business

The smart watch manufacturing business delivers significant synergies with the Group's core operations, providing essential watch cases and other components for our watchmaking activities. Leveraging its extensive expertise in smartwatch manufacturing and sales, this segment offers valuable opportunities for diversification within the horology industry. The Group anticipates that this business will become a key revenue contributor moving forward and will continue to allocate resources to expand this strategic segment.

5. Incentive Mechanisms

1) Implement strict performance assessments for all sales departments with key focus on three core metrics, invoicing, collections and profitability. Which will be directly linked to the Company's annual business objectives.

2) Introduce a comprehensive evaluation system for functional departments, providing incentives based on departmental contribution levels while ensuring alignment with corporate goals.

CONCLUSION

In the new year, the Ernest Borel Group looks back on a century of craftsmanship while gazing toward a stellar future. With global economic recovery gaining momentum, we keenly capture market rhythms. Under the Board's visionary leadership and with steady strategy execution, we are fully confident in the brand's soaring success. United as one, all colleagues will meticulously fulfill our mission at every moment to achieve extraordinary annual results.

CORPORATE GOVERNANCE REPORT

Good corporate governance is conducive to enhancing overall performance and accountability and is essential in modern corporate administration. During the year ended 31 December 2025 (the "**Year**"), the Company has adopted, for corporate governance purposes, the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules. The Board will continue to observe the principles of good corporate governance in the interests of shareholders of the Company (the "**Shareholders**") and devote considerable effort to identifying and formalizing best practice.

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 FY2025.

BOARD OF DIRECTORS

Responsibilities of the Board

The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group's operation and financial performance, internal control and risk management systems. The Directors have to make decisions objectively in the interests of the Group. The decision making power on day-to-day operation of the Group has been delegated to the management team, which is led by a team of senior management with substantial experience and expertise in the Group's business.

Board Composition

As of the date of this annual report, the Board is comprised of two Executive Directors, one Non Executive Director ("**NED**") and three Independent Non-executive Directors (the "**INEDs**"):

Executive Directors

Mr. Teguh Halim *(Chairman of the Board)*
Mr. Kong Le

NED

Mr. Xiong Ying

INEDs

Mr. Yu Chi Kit
Mr. Ng Tzyy Yeh Alroy Garrett
Ms. Hong Ting

The Board is well-balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The Executive Directors, the NED and the INEDs bring a variety of experience and expertise to the Company. The biographical information of the Directors is set out in the section headed "**Biographical Details of Directors and Senior Management**" of this annual report.

Board meetings have been held from time to time to discuss the business strategies of the Group; monitor financial and operational performance; approve the annual and interim results of the Group; and discuss the corporate governance functions of the Board.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the Executive Directors has entered into a service contract with the Company for a specific term of three years, which may be terminated by either party upon a three-month prior written notice. The service contracts are automatically renewed upon expiration.

Each of our NED and INEDs has entered into an appointment letter with the Company for a term of three years. The appointment letters are automatically renewed upon expiration.

All the Directors, including the INEDs are subject to retirement by rotation and re-election at an annual general meeting ("**AGM**") at least once every three years in accordance with the articles of association of the Company (the "**Articles of Association**"). The Articles of Association provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

Before the appointment of a new director becomes effective, the listed issuer should arrange for each director to obtain legal advice from a law firm qualified to provide opinions on Hong Kong law. This is to ensure that the director understands all provisions of the Listing Rules applicable to their role as a director of the listed issuer.

The executive Director Mr. Kong Le and the independent non-executive Director Mr. Ng Tzyy Yeh Alroy Garrett and Ms. Hong Ting obtained legal advice from a law firm on 9 May 2025. They were understanding of his duties as a director of the listed issuer.

BOARD DIVERSITY POLICY

Pursuant to the CG Code, the Board adopted a board diversity policy (the "**Board Diversity Policy**") in June 2014. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. Currently, the Board of Directors consists of 5 men and 1 women.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Teguh Halim perform both of the roles as the Chairman and the chief executive officer of the Company. This deviates from code provision C.2.1 of the Corporate Governance Code contained in Appendix 14 of the Listing Rules, which requires that the roles of Chairman and the chief executive officer should be separate and should not be performed by the same individual. However, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board currently comprises two executive Directors (including Mr. Halim), one non-executive Director and three independent non-executive Directors and therefore has a fairly strong independence in its composition, and they meet regularly to discuss issues relating to the operation of the Company in order to provide adequate safeguards to protect the interests of the Company and its shareholders. In addition, after taking into account of the past experience of Mr. Halim, the Board is believed that Mr. Halim is able to facilitate the execution of the Group's business strategies and enhance the effectiveness of its operation. Hence, the aforesaid deviation is appropriate and in the best interest of the Company at the present stage.

INDEPENDENCE OF INEDs

The INEDs have played a significant role in the Board by bringing their independent judgment at the Board meetings and scrutinizing the Group's performance. Their views carry significant weight in the Board's decisions. In particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All INEDs possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. The INEDs provide independent advice on the Group's business strategy, results and management so that all interests of the Shareholders can be taken into account, and the interests of the Company and its Shareholders can be protected.

The Board has three INEDs with three of them, namely Mr. Yu Chi Kit, Mr. Ng Tzyy Yeh Alroy Garrett and Ms. Hong Ting, possessing appropriate professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rules 3.10(1) and (2) and 3.10A of the Listing Rules.

Mechanisms to ensure independent opinion

The Company ensures that an independent opinion is introduced to the Board through the following mechanisms:

1. The Nomination Committee shall review annually the composition of the Board and the independence of the Independent Non-Executive Directors, in particular the proportion of the Independent Non-Executive Directors and the independence of the Independent Non-Executive Directors who have served for more than nine years.

2. The Company has received an annual independent confirmation letter from each of the independent non-executive directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that these independent non-executive directors are independent persons under the Listing Rules.

3. In order to comply with good corporate governance practices and to avoid conflicts of interest, directors of certain subsidiaries and/or senior management of the Company who are also controlling shareholders and/or controlling shareholders of the Company should abstain from voting on the relevant Board resolutions relating to transactions with the controlling shareholders and/or associates.

4. The Chairman of the Board shall meet with the Independent Non-Executive Directors at least once a year.

5. All members of the Board of Directors may seek independent professional advice, if necessary, in the performance of their duties in accordance with the Company's policies.

The Board annually reviews the mechanism to ensure that the Board introduces independent advice, whether in relation to the proportion, employment and independence of independent non-executive directors, their contributions and whether they can obtain outside independent professional advice.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company has arranged for appropriate and sufficient insurance coverage on Director's liabilities in respect of legal actions taken against the Directors arising out of corporate activities.

MEETINGS

The Board meets regularly either in person or through electronic means of communication to discuss the overall strategy as well as the operation and financial performance of the Group. The total number of the meetings and the attendance of each Director at these meetings for the Year have been set out as follows:

	No. of attendance/No. of meetings						
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	Executive Committee Meetings	Investment Committee Meeting	AGM [3]
Executive Directors							
Mr. Teguh Halim	4/4	N/A	2/2	2/2	0/0	0/0	1/1
Ms. Lam Lai[1]	2/4	N/A	N/A	N/A	0/0	0/0	0/1
Mr. Kong Le[2]	2/4	N/A	N/A	N/A	0/0	0/0	0/1
NED							
Mr. Xiong Ying	4/4	N/A	N/A	N/A	N/A	N/A	1/1
INEDs							
Mr. Yu Chi Kit	4/4	2/2	2/2	2/2	N/A	N/A	1/1
Ms. Chan Lai Wa[1]	2/4	1/2	1/2	1/2	N/A	N/A	0/1
Mr. Ng Tzyy Yeh Alroy Garrett[4]	2/4	1/2	1/2	1/2	N/A	N/A	0/1
Ms. Hong Ting[4]	2/4	1/2	1/2	1/2	N/A	N/A	0/1

Notes:

1. Executive Director Ms. Lam Lai and Independent Non-executive Director Ms. Chan Lai Wa retired on 29 May 2025.

2. Mr. Kong Le was appointed as an Executive Director on 29 May 2025.

3. Mr. Teguh Halim the Executive Director, Mr. Xiong Ying the Non-executive Director, Mr. Yu Chi Kit the Independent Non-executive Director attended the AGM in person or by electronic means. Ms. Lam Lai the Executive Director and Ms. Chan Lai Wa the Independent Non-executive Director unable to attend the meeting due to work commitments.

4. Mr. Ng Tzyy Yeh Alroy Garrett and Ms. Hong Ting were appointed as Independent Non-executive Directors on 29 May 2025.

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the senior management and the Company Secretary of the Company at all times and may seek independent professional advice at the Company's expense. Where queries are raised by the Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings. Notices of at least 14 days of regular Board meetings are given to the Directors and Board procedures complied with the Articles of Association, as well as relevant rules and regulations.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

The Directors have been informed of the requirement under Code provision A.6.5 of the CG Code regarding continuous professional development. According to the records maintained by the Company, the Directors received the following training by attending briefings, webinars, conferences or reading relevant materials with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuous professional development during the Year:

	Read director training material published by the Independent Commission Against Corruption	Attending expert briefings/ webinars/conferences/ relevant materials relevant to the business, corporate governance, accounting or directors' duties
Executive Directors		
Mr. Teguh Halim *(Chairman of the Board)*	✓	✓
Mr. Kong Le	✓	✓
NED		
Mr. Xiong Ying	✓	✓
INEDs		
Mr. Yu Chi Kit	✓	✓
Mr. Ng Tzyy Yeh Alroy Garrett	✓	✓
Ms. Hong Ting	✓	✓

BOARD COMMITTEES

The Board has established (i) the Audit Committee, (ii) the Remuneration Committee, (iii) the Nomination Committee, (iv) the Executive Committee and (v) the Investment Committee with defined terms of reference. The terms of reference of the Board committees, which explain their respective roles and the authority delegated to them by the Board are available on the respective websites of the Company and the Stock Exchange. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

(i) Audit Committee

The Company established the Audit Committee pursuant to a resolution of the Directors passed on 24 June 2014 in compliance with Rules 3.21 and 3.22 of the Listing Rules. The primary duties of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee the internal control procedures of the Company. The Audit Committee currently consists of three members, namely Mr. Yu Chi Kit, Mr. Ng Tzyy Yeh Alroy Garrett and Ms. Hong Ting, all of whom are INEDs. Mr. Yu Chi Kit, Mr. Ng Tzyy Yeh Alroy Garrett and Ms. Hong Ting have appropriate professional qualifications and experience in accounting matters and Mr. Yu Chi Kit is the chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the existing external auditors of the Company.

During the Year, the Audit Committee held two meetings and mainly performed following duties:

- reviewed the Group's audited annual results for the year ended 31 December 2024 and unaudited interim results for the six months ended 30 June 2025, met with the external auditors to discuss annual results and internal control issues without the Company's management being present, and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure had been made;

- reviewed the accounting principles and practices adopted by the Group;

- reviewed the Group's internal control system and related matters;

- assisted the Board in meeting its responsibilities for maintaining an effective system of internal control and risk management;

- considered and made recommendations on the re-appointment of the independent auditor of the Group, and the terms of engagement; and

- reviewed the continuing connected transactions of the Group.

There had been no disagreement between the Board and the Audit Committee during the Year.

(ii) Remuneration Committee

The Company established the Remuneration Committee on 24 June 2014 with written terms of reference. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Company, review remuneration and ensure none of the Directors determine their own remuneration. The Remuneration Committee currently consists of four members, namely Mr. Yu Chi Kit, Mr. Ng Tzyy Yeh Alroy Garrett, Ms. Hong Ting (all being INEDs) and Mr. Teguh Halim (one of the Executive Directors). Mr. Yu Chi Kit is the chairman of the Remuneration Committee.

During the Year, the Remuneration Committee held two meeting and mainly performed following duties:

- reviewed the Group's remuneration policy and recommended to the Board the remuneration package of the Directors and senior management for the Year;

- recommended to the Board on the remuneration of Directors; and

- When considering directors remuneration, none of the directors participates in and determines their own remuneration.

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 12 to the consolidated financial statements.

(iii) Nomination Committee

The Company established the Nomination Committee on 24 June 2014 with written terms of reference. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis and to recommend to the Board the suitable candidates for Directors after consideration of the nominees' independence and quality in order to ensure the fairness and transparency of all nominations. The Nomination Committee will also take into consideration the Board Diversity Policy when identifying suitable and qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy so as to develop and review measurable objectives for implementing the Board Diversity Policy and to monitor the progress on achieving these objectives.

The Board approved and adopted a nomination policy (the "**Board Nomination Policy**") on 21 December 2018 in order to set out the approach to guide the nomination committee of the Company in relation to the selection and recommendation of candidates for directorship.

This Board Nomination Policy aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business.

In assessing, selecting and recommending candidates for directorship to the Board, the Nomination Committee will give due consideration to the factors including but not limited to (collectively, the "**Factors**"):

(a) reputation for character and integrity;

(b) accomplishment and experience in the relevant industries in which the Company's business is involved and other professional qualifications;

(c) number of directorship the candidate holds in listed companies, commitment in respect of available time and relevant interest;

(d) diversity in all aspects including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills, knowledge and length of service;

(e) contribution that the candidates can potentially bring to the Board;

(f) whether cross-directorship or significant links with other Directors through involvements in other companies or bodies exists;

(g) plans in place for the orderly succession of the Board; and

(h) If a candidate is nominated as an independent non-executive director, his or her independence will be reviewed with reference to the factors specified in Rules 3.13(1) to (8) of the Listing Rules.

The Nomination Committee currently consists of four members, namely Mr. Teguh Halim (one of the Executive Directors); Mr. Yu Chi Kit, Mr. Ng Tzyy Yeh Alroy Garrett and Ms. Hong Ting (all being INEDs). Mr. Teguh Halim is the chairman of the Nomination Committee.

During the Year, the Nomination Committee held two meeting and mainly performed the following duties:

- reviewed the annual confirmation of independence submitted by the INEDs and assessed their independence;
- reviewed the structure, size and composition of the Board during the Year;
- considered and made recommendation to the Board on the changes in compositions of the Board and Board Committees during the Year; and
- considered the re-election of the Directors of the Company at the AGM of the Company.

(iv) Executive Committee

The Company established the Executive Committee on 29 March 2017 with written terms of reference. It is responsible for facilitating more efficient day-to-day operations of the Company, handling such matters as delegated by the Board from time to time and expediting the process of decision making from the Board on a timely basis. The Executive Committee currently consists of two members, namely Mr. Teguh Halim and Mr. Kong Le (all of them are Executive Directors).

During the Year, no Executive Committee meeting was held.

(v) Investment Committee

The Company established the Investment Committee on 29 March 2017 with written terms of reference. It is responsible for evaluating investment projects proposed by the Company and making recommendations to the Board on such investment projects. The Investment Committee currently consists of two members, namely Mr. Teguh Halim and Mr. Kong Le (all of them are Executive Directors).

During the Year, no Investment Committee meeting was held.

CORPORATE GOVERNANCE FUNCTIONS

The Company's corporate governance function is carried out by the Board and the Executive Committee pursuant to a set of written terms of reference adopted by the Board in compliance with Code provision A.2.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report. During the Year, the Board had (a) reviewed the Company's policies and practices on corporate governance; (b) reviewed the training and continuous professional development of the Directors; and (c) reviewed the Company's compliance with the CG Code and disclosure in the corporate governance report.

FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL CONTROLS

Financial reporting

The Board is responsible for the preparation of the financial statements of the Company and the Group for each financial year, which shall give a true and fair view of the financial position, performance and cash flow of the Group for that year. The Directors acknowledge their responsibilities for preparing the financial statements of the Company. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibilities of BDO Limited, the Company's external auditors in Hong Kong, on the financial statements are set out in the "**Independent Auditors' Report**" in this annual report.

Risk Management and Internal Controls

The Board is responsible for ensuring the reliability and effectiveness of the Group's risk management and internal control systems on, among other things, financial, operational and compliance controls. In order to safeguard the Group's assets and shareholders' investments, the Board and the Audit Committee have performed annual review on the effectiveness of the risk management and internal control systems on all major operations of the Group during the Year. The system of internal control of the Group is designed to manage rather than eliminate the risk of failure to achieve corporate objectives and provide reasonable but not absolute assurance against material misstatement or loss.

During the Year, the Audit Committee and the Board have performed a risk assessment with the intention to identify, evaluate and priorities the critical risks of the Group as well as conducted review on the effectiveness of risk management and internal control systems. Such risks would include, amongst others, material risks relating to Environmental, Social and Governance. Moreover, the chairman of Audit Committee has reviewed the Group's risk management and internal control systems and provided recommendations for improvement.

The Company has taken appropriate measures to identify inside information and preserve its confidentiality until proper dissemination via the electronic publication system operated by the Stock Exchange.

INDEPENDENT AUDITOR

The Company has re-appointed BDO Limited as the independent auditor in Hong Kong during the Year. The Audit Committee reviews the independent auditor's audit scope and approves its fees. For the Year, the total fee paid/payable in respect of audit and non-audit services provided by the Company's independent auditor is set out below:

	HK$'000
Audit services	1,100
Non-audit services	32
Total	1,132

The non-audit services mainly included professional service in respect of review the continuing connected transactions.

There is no disagreement between the Board and the Audit Committee on the re-appointment of the independent auditor, and they both have agreed to recommend the re-appointment of BDO Limited as the Company's independent auditor for the ensuing year at the forthcoming AGM.

COMPANY SECRETARY

Ms. Kei Siu Ying is the Company Secretary of the Company. Details of her biography are set out in the section headed "**Biographical Details of Directors and Senior Management**" of this annual report. Ms. Kei has been informed of the requirements under Rule 3.29 of the Listing Rules and he has confirmed that he had attained not less than 15 hours of relevant professional training during the Year.

DIVIDEND POLICY

The Company has approved and adopted a dividend policy (the "**Dividend Policy**") on 21 December 2018 in order to provide return to the Shareholders whilst retaining adequate reserves for the Group's future development.

The Company considers stable and sustainable returns to the Shareholders to be our goal. The Company may declare and distribute dividends to Shareholders provided that the declaration and distribution of dividends does not affect the normal operations of the Group. According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the following factors:

(a) the Group's retained earnings and distributable reserves;

(b) the Group's future earnings;

(c) the Group's capital requirements;

(d) the Group's working capital requirements;

(e) the general financial conditions of the Group;

(f) the Group's business development strategies and future expansion plans;

(g) contractual restrictions on payment of dividends;

(h) the general economic and industrial conditions; and

(i) any other factors that the Board considers relevant.

The declaration and payment of dividends by the Company shall be determined at the sole discretion of the Board and shall be subject to any restrictions under the Companies Law of the Cayman Islands and the Articles of Association. The Dividend Policy will continue to be reviewed from time to time and could be modified at any time at the sole and absolute discretion of the Board. There can be no assurance that dividends will be proposed or declared in any particular amount for any given period.

CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 13.90 of the Listing Rules, the Company has posted its Memorandum and Articles of Association on the respective websites of the Stock Exchange and the Company.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Board recognizes the importance of maintaining clear, timely and effective communication with Shareholders and investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that the investors and the Shareholders receive accurate, clear, comprehensive and timely information of the Group by the publication of interim/annual reports, announcements and circular. The Company also publishes all corporate correspondence on the Company's website www.ernestborel.ch. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. The Directors and the members of the various Board committees will attend and answer questions raised at the AGM. Separate resolutions will be proposed at the general meeting on each substantially separate issue.

The chairman of the general meetings of the Company will explain the procedures for conducting a poll before putting a resolution to vote. The results of the voting by poll will be published on the respective websites of the Stock Exchange and the Company.

SHAREHOLDERS' RIGHTS

Procedures by which Shareholders can convene an extraordinary general meeting (the "EGM") and put forward proposals at Shareholders' meetings

Pursuant to article 58 of the Articles of Association, any one or more Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary by mail at the Company's correspondence address in Hong Kong, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary by mail at the principal place of business and head office in Hong Kong at Unit J, 12/F, Fu Cheung Centre, Nos. 5-7, Wong Chuk Yeung Street, Fotan, Shatin, Hong Kong or by email to the Company Secretary at info@ernestborel.ch. Upon receipt of the enquiries, the Company Secretary will forward communications relating to (a) matters within the Board's purview to the Board and (b) ordinary business matters, such as suggestions, enquiries and consumer complaints to the Executive Directors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

Ernest Borel Holdings Limited (hereinafter referred to as "**We**", "**Ernest Borel**", the "**Company**") and its subsidiaries (collectively the "**Group**") are pleased to present its Environmental, Social & Governance (the "**Environmental, Social & Governance**", "**ESG**") Report (the "**Report**"), which demonstrates the ESG performance of the Group in achieving sustainable development for the future.

1.1 About Ernest Borel

Ernest Borel listed on the Stock Exchange of Hong Kong Limited in 2014, under our own brand "**Ernest Borel**", the Group is principally engaged in the design, production, marketing and sale of Swiss-made mechanical and quartz premium watches for men and women in the PRC, Hong Kong, Macau and other markets.

In addition, in order to expand its business, the Group has been focusing on developing the smart watch accessories manufacturing business and striving to expand ODM or OEM in the future. Design, develop and manufacture stainless steel alloy watch cases and other smart watch accessories production business.

1.2 Statement of the Board

The Board of directors the Group (the "**Board**") assumes full responsibility for the Group's ESG strategy and reporting and is responsible for assessing and determining the Group's risks related to ESG and ensuring that the Company has appropriate and effective ESG risk management and internal control systems in place. Therefore, the Board fully monitors the related risks and opportunities as well as conducts enterprise risk assessment at least once a year to identify, assess and monitor environmental, social and governance related risks in the ordinary course of business.

We pay extra attention to the sustainable development of the Company, with the Board leading and participating in the deliberation and decision-making of major ESG matters, including identifying and assessing ESG risks, formulating ESG strategies and guidelines, establishing management policies and plans, approving and reviewing ESG target management and approving each annual ESG report and other management matters.

Moreover, the Group has been focusing on maintaining closer connections with different stakeholders, listening to the voices of all parties, caring for and growing with its employees and taking on more social responsibilities. We have identified key ESG issues to specify the focus of its work, including: employee rights and interests, safety and health, green building opportunities, product quality and safety, and innovation management, etc. The Group reviewed the above issues and improved its performance in its daily operation and managed its targets accordingly. In the future, we will continue to adjust our sustainability management strategies and promotion methods in line with stakeholders' expectations and the Group's actual operating situation, thereby continuously improving the level of sustainable development.

Going forward, the Board will continue to oversee and refine the Group's measures and performance on sustainable development in order to create long-term value for all stakeholders and the communities in which we operate.

1.3 ESG Governance and Management Structure

The Board is the highest governing body for overseeing the Group's environmental, social and governance matters and assumes overall responsibility for the review, evaluation, decision making and approval of this ESG Report.

The Board understands that as a leading watch designer and manufacturer, we are committed to providing our customers with the highest quality of service. Our ESG management system is fully integrated into our business decision making processes and we adopt a top down management approach to address any material ESG issues. A clear governance structure has been established to ensure that unified ESG management principles are observed across the Group. All ESG matters are identified and managed separately by the relevant departments and the heads of each department are appointed as members of the ESG management team with specific policies in place to guide day to day operations. These responsibilities include but are not limited to the following:

- Formulating the Group's ESG strategies and guidelines;
- Reviewing ESG related policies, management approaches and operational practices;
- Monitoring progress and making appropriate recommendations to the Board on the Group's ESG related initiatives;
- Keeping abreast of market trends and developments, laws and regulations, and industry practices and standards relating to ESG to ensure the Group's compliance with applicable requirements;
- Working with ESG consultants to conduct materiality and climate risk assessments, so as to further focus on the most material ESG issues relevant to our business operations and stakeholders;
- Assisting in identifying and assessing the Group's ESG risks and opportunities;
- Implementing controls and procedures to help each of department's management to monitor climate related risks and opportunities; and
- Reviewing the Company's ESG Report and other corporate publications relating to ESG disclosures.

The Board is composed of members with diverse backgrounds and a well balanced mix of skills and experience, which is crucial for the effective oversight of the Group's strategies for addressing ESG and climate related issues and reinforces the Group's ESG governance objectives.

1.4 Reporting period

This Report which covers the material ESG issues faced by the Group for the period from 1 January 2025 to 31 December 2025.

1.5 Reporting Scope

This Report focuses on the operations of "**Swiss-made**" watches business of the Group and smart watch accessories manufactory, the reporting scope is the same as that of last financial year's Report which covers Hong Kong, China and Switzerland offices as well as the production plants in Switzerland and China. The key performance indicators ("**KPI**"), have been used for tracking and set out to demonstrate our performance through the utilisation of our resources.

1.6 Reporting Standard

The contents of this Report have been prepared with reference to Appendix C2 "Environmental, Social and Governance Reporting Code" (the "**HKEX ESG Reporting Code**") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**HKEX**") and in accordance with the principles of materiality, quantification, balance and consistency. The climate-related disclosure section of this Report has been prepared with reference to the requirements under Part D "Climate-related Disclosures" of the ESG Reporting Code issued by HKEX. The Group refers to the reporting guide with a complete index in compliance is available at the end of this Report for reference. Except for provisions that the Group considers are inapplicable to its operations, for which explanations have been given on the rightmost column in the said index, this Report has complied with all "**comply or explain**" provisions set out in the reporting guide.

1.7 Reporting Principles

The four reporting principles of this Report:

- Materiality: The Group determines material ESG issues by stakeholder engagement and materiality assessment. Details are explained in the section headed "**Materiality Assessment**".

- Quantitative: Information is presented with quantitative measure, whenever feasible, including information on the standards, methodologies, assumptions used and provision of comparative data.

- Balance: Both our achievements and improvement plan present an unbiased picture of our ESG performance.

- Consistency: The reporting methodologies remain consistent with past reports to enable a meaningful comparison of our performance.

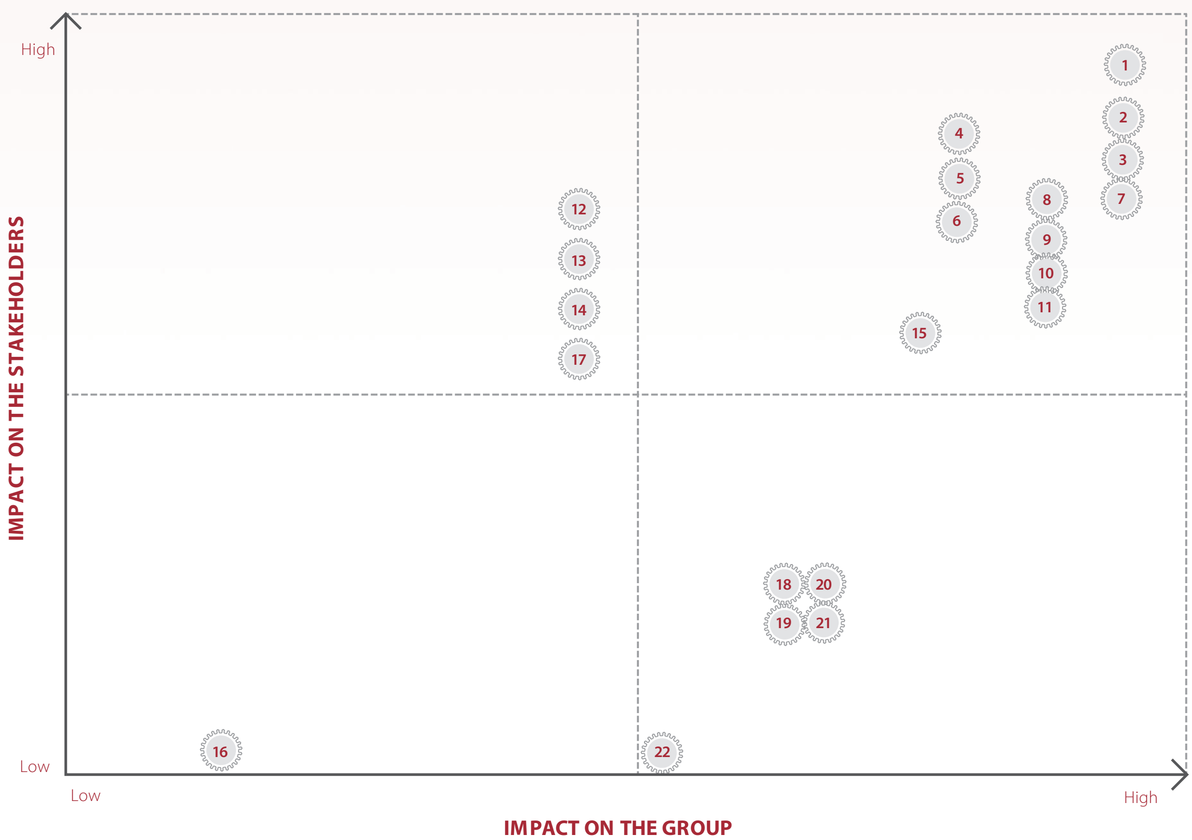
2. ESG GOVERNANCE

The Group believes that good ESG governance strategies and practices are the key to enhancing its investment value and bringing long-term returns to its stakeholders. The Board bears the primary responsibilities of overseeing and reporting on the Group's ESG strategies, as well as identifying and assessing ESG-related risks, so as to establish effective management approaches on ESG risk. The Board delegates authority to the management of different departments, where ESG policies and measures are formulated and executed.

2.1 Materiality Assessment

The Report covers the environmental and social subject areas, which underline various aspects of relevant ESG issues. As the chart below, the Group has identified the relevant material issues to its operations and has disclosed the respective performances in the Report:

Materiality matrix for Environmental, Social and Governance Aspects



1	Product quality and safety	9	Diversity and equal opportunity	17	Community support
2	Customer satisfaction	10	Intellectual properties	18	Energy use
3	Customer privacy	11	Product and service labelling	19	Water use
4	Occupational health and safety	12	Marketing communications	20	Air emission
5	Employee development	13	Forced labor	21	Greenhouse gas emission
6	Labor rights	14	Child labor	22	Non-hazardous waste generation
7	Ethical business	15	Use of materials		
8	Supply chain management	16	Hazardous waste generation		

2.2 Stakeholder Engagement

The preparation of the Report was supported by the employees across various departments, enabling us to have a thorough understanding of our current environmental and social development. The information that the Group gathered is a summary of the environmental and social initiatives carried out by the Group during the year and acts as the basis for mapping out its short-term and long-term sustainable development strategies. Meanwhile, the Group strives to create long-term values for our stakeholders, we place great emphasis on engaging and communicating with both internal and external stakeholders listed below:

Internal Stakeholders	Expectations and Requirements	Means of Communication and Response
Employees	• Protection of rights • Occupational health and safety • Remunerations and benefits • Career development	• Meetings • Annual appraisals with employees • Training and workshop • Internal portal

External Stakeholders	Expectations and Requirements	Means of Communication and Response
Governmental and regulators	• Compliance with national policies, laws and regulations • Tax payment on time • Environmental protection	• Annual reports, interim reports, ESG reports and other public information
Investors and Shareholders	• Feedback • Compliant operation • Transparency and effective communication	• Annual General meetings and other general meetings • Announcements • Email, telephone communication and company website • Annual reports, interim reports, ESG reports and other public information
Customers	• Products with good quality • Good after-sales service • Health and Safety • Operational integrity	• Customer service hotline and repairing centers • Social media platforms
Suppliers	• Long-term and sustainable business relationship • Fair competition	• Suppliers contracts, emails and interview • Suppliers evaluation

2.3 Stakeholder's Feedback

For any enquiries, comments or suggestions regarding this Report, please contact our Company Secretary of the Group at:

Unit J, 12/F,
Fu Cheung Centre,
Nos. 5-7 Wong Yeung Street,
Fotan, Shatin, H.K

Tel: (852) 3628 5511
Fax: (852) 3582 4933
E-mail: info@ernestborel.ch

3. ENVIRONMENTAL

The Group aims to minimize environmental footprint through efficient use of resources, we believe that increased environmental awareness is the key to environmental protection and wellness to the general community. The Group's offices are located in Hong Kong, Mainland China and Switzerland, the main emissions and waste produced by the Group are primarily attributable to its use of electricity, water, paper and packing materials.

During the reporting period, the Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the environment and natural resources relating to air and greenhouse gas emissions, discharges into water and land and generation of hazardous and non-hazardous wastes.

3.1 Air Pollutant Emissions

The air pollutants emitted by the Group mainly come from the fuel consumed by few vehicles owned by the Group. The vehicles are used for the passenger transportation purpose, the Group believed that the emission from our vehicles imposed immaterial impact on the overall air pollution in different countries. During the reporting period, the air pollutant emissions were as follows:

Type of air pollutants	Year 2025 Total	Year 2024 Total
Nitrogen oxides (NO_x)	14.25 kg	12.9 kg
Sulphur dioxide (SO_2)	0.14 kg	0.13 kg
Particulate matter (PM)	1.28 kg	1.16 kg

Note:

1. Reference was made to the "Appendix 2: Reporting Guidance on Environmental KPIs (last updated version on 31 December 2024)" published by the Stock Exchange.

3.2 Waste Management

Hazardous wastes

Due to the nature of our business, our production at our workshop in Switzerland and China workshop mainly involves watch assembling and accessories assembly thus we do not generate hazardous waste or industrial pollutants during our operations.

Nevertheless, we strive to practise maximum recycling in our operations, for example, all used watch batteries are recycled by a third-party recycling company in order to avoid chemical substances from releasing to the landfill, which may pose threats to the environment. Moreover, all domestic wastes from the workshop, which are mainly composed of metals, are carefully collected and mostly recycled and where necessary, disposed of in full compliance with Swiss environmental laws and regulations.

The Group adheres to its commitment to sustainable management and has taken various measures in Hong Kong and China offices to encourage recycling to reduce waste generation, for instance, we encourage staff to reuse used envelopes and document folders whenever possible. Moreover, in our Hong Kong office, We sort and send discarded office equipment to environmental recycling workshop.

Non-hazardous wastes

The Group considered the number of non-hazardous wastes is not significant. The non-hazardous wastes generated by the Group's operations mainly consist of paper and packing materials, which mainly involves commercial printing and packing our products for transportation. In efforts to prevent paper wastage, the Group took a series of actions, for instance: (i) a default setting of double-sided printing on our staffs' computers; (ii) we purchase recycled paper or paper accredited with sustainable forest standard; (iii) re-using used envelope or paper; and (iv) placed sticker reminders around the office to encourage staff to "reducing usage of papers". Moreover, the Group encourages our customers to bring their own bags instead of purchasing shopping bags. For more details, please refer to the below section "3.3 – Use of Resources – Paper and packing materials".

During the reporting period, the Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the generation of hazardous and non-hazardous wastes.

Environmental, Social and Governance Report

3.3 Use of Resources

Recognizing the importance of conserving our resources, we strive to utilize resources in an efficient and responsible way, for instance, our "Procurement Policy" strictly controls our procurement and keep materials at an optimum level to avoid over-ordering and hence potential wastage; the lighting for watch assembling at our workshops is operated at an optimal level of brightness for our workers, avoiding consuming excessive energy while striking a balance between environmental protection and workplace comfort.

To better understand our continuous performance in resource management, we have started to track our consumption pattern during the reporting period. The results are presented below. The main types of resources consumed by our Group are identified as electricity, vehicle fuel, stationary fuel, drinking water and pipe water, paper, and various type of packaging materials.

The main reason for the increase in overall resource usage in 2025 is due to the rise in total production volume during the year.

	Year 2025		Year 2024	
Type of Resources	**Consumption**	**Unit**	**Consumption**	**Unit**
Electricity	166,076.75	kWh	150,295.7	kWh
Intensity	14.75	kWh per watch	9.62	kWh per watch
Vehicle fuel	11,517.85	Litre	10,423.4	Litre
Intensity	1.02	Litre per watch	0.66	Litre per watch
Stationary fuel	6,278.94	Litre	5,682.3	Litre
Intensity	0.56	Litre per watch	0.37	Litre per watch
Drinking water & pipe water	105.15	M^3	95.16	M^3
Intensity	0.0093	M^3 per watch	0.0076	M^3 per watch
Paper	70.27	kg	63.6	kg
Intensity	0.006	kg per watch	0.042	kg per watch
Type of Packaging Materials	**Consumption**	**Unit**	**Consumption**	**Unit**
Carton box, Plastic and Other	22,450.39	kg	20,317.1	kg
Intensity	1.99	kg per watch	1.34	kg per watch

Note:

1. Intensity was calculated by dividing the total unit of Greenhouse Gas emitted in FY2025 and FY2024 by the number of quartz and mechanical watches have been produced in FY2025 and FY2024, which is 11,258 and 10,187.

Electricity

The major resource used in all areas of the Group's business operation, such as general lighting, powering of laptops, printers and all electrical equipment in the offices and warehouse. The Group has been actively seeking for more energy efficient equipment to reduce electricity consumption and hence, Greenhouse Gas emission. We actively encourage and promote the idea of "green office" as we believe that it is the joint responsibility of all of us to conserve our valuable resources. Our green office policy covers various environmentally friendly actions such as implementing green procurement strategy, upgrading to energy-efficient LED lighting and placing "energy saving" sticker and instill the concept of conservation and environmental protection into employees.

Vehicle Fuel

Petrol and diesel were used in the Group's several motor vehicles for passenger transportation purpose, we encourage our staff to take public transit instead of going in motor vehicles and use environmentally friendly gasoline to fuel official vehicles.

Stationery Fuel

Stationery fuel was mainly used in the production plants in Switzerland in winter for indoor warming purpose, in long term, we will consider to replace the existing heater to with energy saving mode.

Drinking Water and pipe water

Pipe water was used in the workshop in Switzerland and drinking water was consumed by our staff in Hong Kong and China office. The Group constantly reminds employees of the importance of saving water.

Paper and packing materials

The Group strives to promote employees' awareness of environmental protection and conservation, such as double-sided printing and the use of environmentally friendly paper.

3.4 Environmental Protection

As a world-renowned Swiss watchmaker with production facilities in Switzerland and China, we fully recognize that protecting the environment is our core responsibility as a corporate citizen. Even though the Group's business poses insignificant impact on the environment, we are fully committed to conservation of precious natural resources by minimizing our environmental impacts and carbon footprints as detailed in the coming sections. Looking forward, we will continue to work towards sustainability and look for opportunities to reduce our environmental impact.

We have an essential obligation to reduce our carbon footprint and protect our natural resources in response to climate change in order to make our planet suitable for future generations. We remain proactive in managing environmental risks and improving our performance.

In order to pursue long-term and sustainable development in operation, we set the following environmental objectives on water use, waste efficiency and GHG management. The group will gradually reduce our environmental footprint and constantly review the market development and opportunities to improve our performance.

Energy use efficiency

- Reduce 10% energy consumption intensity by 2029

3.5 Environmental Protection and Natural Resources Conservation

The Group pledges to uphold quality management and implements policies for conserving resources and managing waste. The Group will continue to increase its capacity for recycling to reduce the material impact of the Group's operation on the environment and natural resources. The Group adopts consistent policies to save resources effectively and follows the laws and regulations to achieve healthy business development. Awareness of environmental protection among all employees is enhanced through environmental protection activities and promotion. The Group is promoting the concepts of "Reduce", "Reuse" and "Recycle" in order to protect the environment and give back to society.

3.6 Responding to Climate Change

The Group attaches great importance to climate change issues and dynamically identifies and assesses climate-related risks and opportunities based on its own circumstances. In 2025, we systematically identified and assessed climate-related risks and opportunities with reference to the requirements of "Part D: Climate-related Disclosures" in the Environmental, Social and Governance Reporting Code of the Hong Kong Stock Exchange. Going forward, we will gradually improve the disclosure information about the response to climate change.

1. Governance

The Board of Directors assumes overall responsibility for overseeing the Group's ESG related matters, including those relating to climate change. The Board delegates implementation to head of department, who regularly review the execution of ESG matters such as the identification and management of climate related risks and report back to the Board.

2. Strategies

The Group has continuously reviewed its actual operations, re-identified the risks and opportunities related to climate change and assessed the impact of the risks and opportunities related to climate change on the Company in time dimension. Please see the table below:

Risk type	Climate risk factors	Risk classification	Risk examples	Potential financial impact	Time dimension	Impact intensity
Physical risk	Extreme weather	Acute operational risk	Extreme weather may affect production activities, project delivery schedules and the production and transportation of raw materials and it also creates potential workplace injury risks for employees travelling to work under such conditions.	The impact on normal production will reduce operating revenue.	Mid-term	Medium
	Climate change	Chronic operational risk	Rising sea levels may affect the production of raw materials and maritime transportation, while global warming may lead to a decline in production capacity.	Slow material supply and production progress would affect goods delivery, resulting in loss of reputation and revenue.	Mid-term	Medium
Transformation risk	New policies for low-carbon economy transformation	Market and technology risk	With China's commitment to a 3060 dual carbon target and new government policies to support a low carbon transformation, the places where it operates may increase energy prices and set energy use caps.	Increased operating costs due to higher energy prices.	Long-term	Low
	Energy transformation policy	Market and technology risk	As the government launches more stringent emission reduction policies, additional investment is required to replace or renovate high energy-consuming production equipment and machinery.	Increased operating costs due to the additional costs to be invested in fixed assets.	Long-term	Medium
	Regulatory mandatory disclosure	Operation and reputation risk	Regarding the regulatory mandated disclosure of climate-related financial information, a lack of historical data and accurate calculating methods may affect the quality of disclosure.	Reputation being affected may reduce revenue.	Short-term	Low
	Green industry policy	Market and technology risk	Due to the government's introduction of policies in support of green industries, the Company needs to enhance its technologies and capabilities in energy saving and environmentally friendly production.	To enhance energy saving and environmentally friendly production lines, the Company needs to invest capital in technology research and development, which will in turn increase operating costs.	Long-term	Medium

Opportunity type	Opportunity examples	Potential financial impact	Time dimension	Impact intensity
Resource efficiency	In our production processes, we reduce waste of materials and conserve water resources through technological and process improvements, as well as recycling and reuse initiatives.	Improving resource efficiency can reduce operating costs and increase revenue.	Long-term	Medium
Energy source	The country has introduced more stringent greenhouse gas emission policies, using low-carbon or clean energy can reduce greenhouse gas emissions.	More investors tend to favor companies with low-carbon development, and reducing their own greenhouse gas emissions may increase capital.	Long-term	Medium
Market	We are developing environmentally friendly materials, such as biodegradable or wear resistant watch straps and eco-friendly smartwatches, to meet market demand for green and sustainable products and capture a greater market share.	We establish a good corporate brand image and increase revenue to obtain government policy and financial support.	Long-term	Medium
Resilience	We enhance resilience to climate change through the use of renewable energy, adoption of green technologies, and optimization of the supply chain.	We enhance our climate resilience to increase the likelihood of obtaining financing support, as financial institutions are increasingly focusing on companies' climate resilience and environmental performance.	Long-term	High

Note: Short-term (1-3 years), medium-term (4-5 years), long-term (over 5 years).

3. Risk Management

We have incorporated climate risk management into our comprehensive risk management system, each department head is responsible for implementation and established a climate-related risk emergency management system to allocate the reasonable emergency resources to effectively respond to risks related to climate change and they should report to the board at least every year.

To address physical risks arising from climate change, we have taken proactive measures by formulating the "Extreme Weather Safety Work Guidelines" and a series of targeted policies on environmental protection. At the same time, to enhance employees' ability to respond to climate change, we will strengthen training and education activities covering topics such as safe production and outdoor work in different seasons, so that employees can apply the correct working methods and safety precautions under various weather conditions, thereby ensuring workplace safety and maintaining product quality.

To effectively address transition risks arising from climate change, the Group tackles the issue from the very outset of its production projects. At the project planning and design stage, we give comprehensive and in depth consideration to the overall requirements for green technologies. In line with the principle of adapting measures to local conditions, we implement relevant industry and local technical and economic policies, optimise overall project solutions and formulate robust implementation plans for green production technologies.

We are in the process of formulating a "Green Production Management Policy" to standardise the management of each key stage of our projects, including production planning, material procurement, on site production and product acceptance. We will exercise strict control over the selection of production machinery and equipment, adopt green construction techniques and implement energy saving and emission reduction measures, thereby contributing to the Group's response to climate related transition risks.

4. **Indicators and Targets**

In response to the challenges posed by climate change, the Group is committed to reducing Greenhouse gas (the "**GHG**") emissions arising from its daily operations. To better understand our environmental performance, we have quantified our GHG emissions based on our energy and resource consumption. Stationary fuel, vehicle fuel and electricity consumption are the Group's main sources of GHG emissions.

During the Reporting Period, the total greenhouse gas emissions of the group are 128.05 tCO_2eq. The total Scope 1 and Scope 2 GHG emissions amounted to 106.74 tCO_2eq, representing an emissions intensity of 0.0095 tCO_2eq per watch, with details set out in the table below.

Unit: t-CO_2 eq

GHG emissions indicator type	Year 2025 Emission	Year 2024 Emission
Stationary fuel	14.07	12.74
Vehicle fuel	26.27	23.77
Scope 1 in total	40.34	36.51
Electricity	66.4	60.1
Scope 2 in total	66.4	60.1
Business travel	11.28	–
Paper usage	10.03	–
Scope 3 in total	21.31	–
GHG emission intensity		
Emission intensity in total (Scope 1 + Scope 2)	106.74	96.61
Intensity	0.0095 t-CO_2 eq per watch	0.0056 t-CO_2 eq per watch

Notes:

1 The emission factors of electricity in China is refer to the emission factor of purchased electricity in 2024 is selected from the average emission factor of the national grid for 2022 issued by the Ministry of Ecology and Environment of the PRC; Scope 3 GHG emissions include the greenhouse gas generated by employees taking transportation (aircraft) during business travel and paper disposal. The GHG emissions generated by employees taking transportation means (aircraft) during business travel are calculated through ICAO Carbon Emissions Calculator. The emission factors of paper disposal and fuel consumption of owned vehicles in Scope 1 derive from Reporting Guidance on Environmental KPIs of the Stock Exchange.

2 The Greenhouse Gas is calculated according to the "Appendix 2: Reporting Guidance on Environmental KPIs (last updated version on 2024" published by the Stock Exchange.

3 Reference was made to the "2025 Sustainability Report of CLP Holdings Limited" for the emission factors of electricity in Hong Kong.

4 Reference was made to the CaDI platform "Country specific electricity grid greenhouse gas emission factors" at www.carbonfootprint.com for the emission factors of electricity in Switzerland.

5 Intensity was calculated by dividing the total unit of GHG emitted in FY2025 and FY2024 by the number of quartz and mechanical watches have been produced in FY2025 and FY2024, which is 11,258 and 10,187.

Due to an increase in production compared to last year, overall the emissions have risen, the group plans to actively participate in more activities organized by social carbon reduction or environmental groups in the coming year, aiming to reduce gas emissions.

GHG emissions

- Reduce 10% carbon emissions intensity by 2029

The Group is assessing additional measures and procedures to further strengthen the oversight of climate related risks and opportunities. Department heads are encouraged to actively participate in seminars and conferences on climate change topics and to set relevant targets for their departments. Updates on the progress against ESG and climate related targets, as well as the associated risks and opportunities are reported to the Board on an annual basis. Where appropriate, proposed mitigation actions and recommendations in response to identified climate related risks and opportunities are also submitted to the Board.

Carbon Pricing Mechanism

During the reporting period, the group has not adopted an internal carbon pricing mechanism, nor has it formally considered carbon pricing factors in investment or operational decisions. The group will continue to monitor relevant regulatory and market dynamics and will assess the feasibility of introducing such mechanisms at an appropriate time.

4. EMPLOYMENT AND LABOUR PRACTICES

4.1 Employment Profile

Workforce As at	31 December 2025	31 December 2024
By Gender		
Male	174	281
Female	133	261
By Age group		
Aged 18–29	48	127
Aged 30–39	99	175
Aged 40–49	99	169
Aged 50–59	55	68
Aged 60 or above	6	3
By Geographical Region		
Hong Kong	21	20
The Mainland China	284	521
Switzerland	2	1
By employment type		
Full-time	307	542
Part-time	0	140
Total	307	682

4.2 Employee Turnover Rate % in 2025

By Geographical Region	Hong Kong	The Mainland China	Switzerland
Total	0.61%	43.03%	0%
By Gender			
Male	0.41%	24.44%	0%
Female	0.20%	18.59%	0%
By Age group			
Aged 18–29	0%	10.91%	0%
Aged 30–39	0%	9.7%	0%
Aged 40–49	0.41%	14.75%	0%
Aged 50–59	0%	7.27%	0%
Aged 60 or above	0.20%	0.40%	0%

4.3 Safe and Healthy Workplace

The Group values health and safety as of paramount importance and endeavours to provide safe working environment to all employees.

In the past three years, the number of work-related fatalities and lost days due to work-related injuries as follows:

	2025	2024	2023
Number of work-related fatalities	0	0	0
Number of lost days due to work-related injuries	0	11.5	0

During the year, no workplace injury cases occurred. Our company will ensure the workplace and office equipment meet safety standards and fire regulations to ensure employee safety at work.

Our production is mainly related to assembling of timepieces and does not involve the use of heavy machinery or hazardous chemicals, our working environment is relatively safe and correspondingly the occupational health and safety risks faced by our employees are low. Nevertheless, we always take all necessary precautions and measures to ensure the safety of our workplace. For example:

- At our China manufacturing workshop, we have posted notices and reminders to raise employees' awareness of potential dangers. We have also issued safety instructions and posters on ergonomics, to remind our employees the importance of correct postures while using computers and making watches.

- Apart from potential safety issues at workplace, we recognize the possibility of hazards caused by external factors, including potential fire outbreaks at office buildings. Hence, to prepare and ensure that our staff is aware of the potential danger and familiar with the emergency plans, we also asked our employees to attend and participate in fire drill in their respective workplace. Through these measures, we hope to minimize the occupational safety and health risks faced by our employees.

4.4 Training and Continuous Development

In today's competitive market and increasingly volatile economy, continuous innovation and improvement are essential for companies to stay competitive and gain success in the market. We strongly believe that the continuous growth and development of our employees, will enable the Company to grow and develop as well. Therefore, as part of our Human Resources Management Policy, all new employees are required to attend orientation training to ensure the employees are aware and familiarise themselves with the Group's values and goals and understand their roles in the Group. In addition, we are committed to providing training and opportunities for our staff, so that they can grow with us. We also encourage staff to receive external training programmes and offer subsidies to support their continuous professional development. In addition, our training department will continuously provide on-job training for our salespersons. During the reporting period, the summary of trained employees as follows:

The percentage of employees trained by gender	
Male	Female
60%	40%

Average training hours completed by gender	
Male	Female
2 hours	2 hours

The percentage of employees trained by categories	
Middle management or above	Staff
25%	75%

Average training hours completed by categories	
Middle management or above	Staff
2 hours	2 hours

4.5 Labour Standards and Caring Employees

Our employees are one of our most valuable assets and we are committed to creating values for our employees through ensuring a safe and fair workplace, as well as providing regular training and personal development opportunities. The Group strictly complies with the labour laws and other relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, anti-discrimination, minimum wages, provision of statutory holidays and leaves, prohibition of child labour and forced labour practice etc in the PRC, Hong Kong and Switzerland.

4.5.1 Employment Practices

We conduct all our human resources activities in accordance with Human Resources Management Policy which details all the necessary steps and procedures for human resources matters. We offer competitive remuneration packages and provide benefits including medical insurance and year-end bonuses for our employees. On top of statutory leaves, employees are also given annual and special leaves, providing them with flexibility to strike a balance between work and life. Other special staff benefits include a special staff discount for purchase of our company watches.

4.5.2 Equal Opportunity and Diversity

At Ernest Borel, we embrace diversity and believe that everyone should be treated fairly and equally, regardless of their genders, disability, race, family status, etc. We request our staff to strictly follow our Code of Conduct, and we do not tolerate any forms of harassments or discrimination. Besides, effective communication channels are provided for employees to express their opinions and report any related incidents at work. We treat each reported case seriously and will provide all necessary support and protection for employees.

During the year under review, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

5. SUPPLY CHAIN MANAGEMENT

5.1 Selection of Suppliers

The making of our premium watches involves assembling of many highly specialized parts and materials from various suppliers during our production. To establish an efficient supply chain, we have implemented a mature procurement process based on our "Procurement Policy", which have defined a clear set of criteria for selection and management of qualified suppliers, any supplier whose products and services with environmentally friendly and socially responsible features will be high preferable for us.

Prices of products and materials are not the only factor that determines our selection of suppliers. We assess suppliers with an integrate approach, among which quality, undoubtedly, is one of the most important aspects that we consider. Thus, we always conduct quality check ("**QC**") on products provided by suppliers, record the results of the checks on our QC statistic database, and monitor their performances on a monthly basis. We also maintain close communication with our suppliers and provide our feedback for improvement, especially in case of more frequent defects discovered regarding the materials we received.

5.2 Number of Suppliers by Geographical Region

During the year under review, the Group has 93 suppliers with the below geographic distribution:

Hong Kong
40

Mainland China
48

Switzerland
5

5.3 Environmental and Social Risk Consideration

The Group increasingly concerns the environmental and social performance of its business partners within the supply chain. Environmental and social risk considerations have been incorporated into the supplier selection and management.

5.3.1 Environmental risk

To ensure we have a reliable supply chain, all suppliers are required to comply with the legal requirements and regulations in the relevant jurisdictions in relation to environmental protection.

5.3.2 Social risk

In order to reduce the social risk, the Group has also scrutinised its business partners in terms of the compliance with relevant labour standards and the respect of human rights. Any child labour or forced labour is strictly prohibited.

To enhance the transparency of its governance, the Group will place greater concerns and consider devoting more resource in the due diligence of its supply chain in future.

6. PRODUCT RESPONSIBILITY

With the belief of creating the outstanding timepieces since the inception of the Company, we fully understand quality of our products is the key factor that attracts our customers. Therefore, to maintain and strive for a better quality, we fully understand we need to ensure the quality at every segment of our production cycle, from the initial procurement process to the final product finishing stage.

All of our watches are entitled to the branding of "Swiss-made" according to the corresponding Swiss Federal Law, i.e., the movement of our watches is Swiss-made, and the watches assembled and the final quality check conducted in Switzerland. Hence, all of our watches are required to be produced under strict production standards with the utmost care and diligence.

According to our "Procurement Policy" which governs the procurement of materials and equipment for production works, if any parts or materials are discovered to be defective during the assembling process, our production staff will notify our logistics department immediately to return such materials to the suppliers.

Our "Production Policy" governs the quality of our products during their production. Apart from the standard quality check for each watch, upon completion of the production process, a final quality check will be carried out before the products are delivered to our customers. This is to ensure that the products received by our customers are of the best quality.

6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons

During the Year under review, there was no product sold or shipped subject to recalls for safety and health reasons.

6.2 Deal with Complaints

During the Year under review, there was no material complaints on our products and service. However, in case of any complaints occurs, we will according to local rules and regulations as well as standards in Hong Kong, PRC and Switzerland in relation to health and safety, advertising, labelling and privacy matters, including but not limited to:

- Consumer Council Ordinance (Cap. 216 of the Laws of Hong Kong);
- Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong);
- Patents Ordinance (Cap. 514 of the Laws of Hong Kong);
- Product Quality Law of the People's Republic of China（中華人民共和國產品質量法）;
- Law of the People's Republic of China on Protection of Consumer Rights and Interests（中華人民共和國消費者權益保護法）;
- Advertising Law of the People's Republic of China（中華人民共和國廣告法）;
- Patent Law of the People's Republic of China（中華人民共和國專利法）; and
- Trademark Law of the People's Republic of China（中華人民共和國商標法）.

6.3 Intellectual Property

We recognize the values of intellectual property – as the creativity and innovation embedded in intellectual property worth far more than any tangible assets. In fact, constant innovation and creation are very important to our success and competitiveness. As a world-class watchmaker, we fully understand the importance of intellectual property. In particular, when it comes to the designs and production of watches, we are fully committed to protecting and treasuring it. The designs of our timepieces, including their appearances, functions and the materials used for making them, are the key differences between a niche product and a mass product.

We have included in our Employee handbook the "Code of Conduct", which contains our "Confidentiality Policy" on Company's property and information, and set out clear guidelines and requirements for our employees on the protection of data and intellectual property. Therefore, not only do we make sure our intellectual property is safe through internal security policy, but we also respect others' intellectual property by avoiding and prohibiting any illegal use of the intellectual property.

6.4 Advertising, Labelling and Data Privacy

We also understand that advertising, labelling and data privacy are important factors affecting consumers' experience. Hence, on top of complying with the Trade Descriptions Ordinance (Cap. 362 of the Laws of Hong Kong) and other local laws and regulations on advertising in our operating locations, we have set up internal policy regarding advertisements to ensure that our advertisements do not contain misleading, offensive, or false information that may adversely affect customers' behavior.

In regard to data privacy, our Code of Conduct in our Employee Handbook sets out clear rules for controlling leakage of information, and we fully comply with the requirements in the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) by taking all necessary steps to ensure customers' data and information is secured and properly used.

6.5 Maintaining High Product Quality

According to our "Quality policy", we aim to keep our products in a high-quality standard.

We believe that our responsibility extends beyond quality assurance. In particular, we also put emphasis on after-sale services, as we believe that maintenance of product quality is just as important as its initial production. All customers who purchased the Ernest Borel watches from our shops and distributors are guaranteed with maintenance and repair services within the warranty period at our customer service centers and stores located all over the world.

7. ANTI-CORRUPTION

7.1 Ethical Conduct

We do not tolerate any forms of bribery, forgery, or corruption at Ernest Borel. To eliminate such forms of illegal activities, we have established a Code of Conduct for directors and as part of the Employee Handbook for all employees. We prohibit abuse, forgery, or fraud, as well as corrupting activities, including acceptance of benefits from personnel of business relationship with the Group.

Extending this code of ethical conduct to external stakeholders, we also request that our employees avoid conflicts of interest by constantly reviewing and making declarations where appropriate, especially for those purchasing staff that is responsible for making procurement decisions.

7.2 Whistle-blower Policy

Our "Whistle-blower Policy" is implemented to encourage our staff to report potential infringements. The identity of the whistle blower is fully protected and remains confidential throughout the investigation. The Company is committed to handling any reported cases swiftly and fairly.

In order to build up an ethical corporate culture and practices, the Group has established policies and procedures for anti-corruption and anti-money laundering, these policies and procedures together with the Code of Conduct can be found in the Employee Handbook for all employees. We aim to prevent the Group's employees and clients, customers, suppliers, vendors, and contractors from being misused for money laundering, terrorist financing or other financial crimes. For example, if there is an unusual or suspicious financial transaction, our employees should aware of it may be involved in money laundering, they must verify the identities of transaction parties to obtain their background information, for instance, the business nature and source of income etc.

Our "Whistle-blower Policy" is implemented to encourage our staff to report potential infringement. During the Year, no legal case regarding corrupt practices was brought against the Group or its employees. Also, no whistleblowing concerning a criminal offence or misconduct was reported.

8. COMMUNITY

As a responsible company, we aim at serving and strengthening the wider community, and encouraging employees to support the community. Our Group understands the importance of making positive contribution to the community where it operates, and considers community benefits as one of our social responsibility. The Group encourages our staff to take part in community welfare and voluntary work, through participating in these activities, public welfare education in the community such as environmental protection, conservation and other positive messages can be promoted. The Group will gradually participate in community activities according to the situation.

9. ESG GUIDE CONTENT INDEX OF THE STOCK EXCHANGE

Aspects, General Disclosures and KPIs	Descriptions	Corresponding section of this report/Remarks
A	**Environmental**	
Aspect A1 Emissions	General Disclosure (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	
KPI A1.1	Types of emissions and respective emissions data.	3.1 Air Pollutant Emissions
KPI A1.2	Repealed 1 January 2025	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.2 Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.2 Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	3.4 Environmental Protection
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	3.2 Waste Management
Aspect A2 Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	3.3 Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	3.3 Use of Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	3.3 Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	3.3 Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	3.3 Use of Resources

Aspects, General Disclosures and KPIs	Descriptions	Corresponding section of this report/Remarks
Aspect A3 The Environment and Natural Resources	General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources.	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.5 Environmental Protection and Natural Resources Conservation
Aspect A4 Climate Change	Repealed 1 January 2025	
KPI A4.1	Repealed 1 January 2025	
B	**Social**	
Aspect B1 Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	4.1 Employment Profile
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	4.2 Employee Turnover Rate % in 2025
Aspect B2 Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.3 Safe and Healthy Workplace
KPI B2.2	Lost days due to work injury	4.3 Safe and Healthy Workplace
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	4.3 Safe and Healthy Workplace

Aspects, General Disclosures and KPIs	Descriptions	Corresponding section of this report/Remarks
Aspect B3 Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.4 Training and Continuous Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	4.4 Training and Continuous Development
Aspect B4 Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.5 Labour Standards and Caring Employees
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	4.5 Labour Standards and Caring Employees
Aspect B5 Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	
KPI B5.1	Number of suppliers by geographical region.	5.2 Number of Suppliers by Geographical Region
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	5.1 Selection of Suppliers
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.3 Environmental and Social Risk Consideration
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.1 Selection of Suppliers

Aspects, General Disclosures and KPIs	Descriptions	Corresponding section of this report/Remarks
Aspect B6 Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	6.2 Deal with Complaints
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	6.3 Intellectual Property
KPI B6.4	Description of quality assurance process and recall procedures.	6.4 Advertising, Labelling and Data Privacy
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	6.5 Maintaining High Product Quality
Aspect B7 Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	7. Anti-Corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	7.2 Whistle-blower Policy
KPI B7.3	Description of anti-corruption training provided to directors and staff.	7.1 Ethical Conduct
Aspect B8 Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	8. Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	N/A
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	N/A
C	Climate-related Disclosures	3.6 Responding to Climate Change

REPORT OF THE DIRECTORS

The Board are pleased to present the annual report together with the audited consolidated financial statements of the Group for the Year.

BUSINESS REVIEW

A review on the business of the Group during the Year and a discussion on the Group's future business development are set out in the Chairman's Statement and Management Discussion and Analysis on pages 4 to 5 and pages 9 to 19 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group. Major risks are summarized below.

(i) Macroeconomic environment

Global political factors have a certain impact on the business of premium consumer goods and the group's overall revenue this year has fallen significantly short of expectations. As for the smartwatch manufacturing business, the products are primarily exported to overseas markets, which are affected by tariffs and geopolitical influences. The group will closely monitor the situation and make appropriate adjustments based on market conditions.

(ii) Restructuring the Market Strategy

The group's past focus has been primarily on the Chinese market, neglecting the development of overseas market operations. Now, it is in the process of rebuilding its overseas business but establishing customer confidence takes time. It is challenging to achieve sustainable profits for the group in the short term. The group will continue to enhance its overseas market presence and strive to gain the trust of international clients.

KEY RELATIONSHIPS

(i) Employees

Employees are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

The Group provides on-the-job training and development opportunities to its employees. The training programs cover areas such as managerial skills, sales and production, quality control and training of other areas relevant to the industry.

In addition, the Group offers competitive remuneration packages to its employees. The Group has also adopted share option schemes to recognize and reward the contribution of the employees to the growth and development of the Group.

(ii) Suppliers

We have developed long-standing and good relationships with our vendors and taken great care to ensure that they can share our commitment to product quality. We carefully select our suppliers and require them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness.

(iii) Retailers and distributors

We sell our products to end customers through third-party retailers and distributors. We work with retailers and distributors as business partners and ensure we share the view for upholding our brand value and customer services, specifically focusing on providing quality products to our customers. We and our retailers and distributors reach an agreement on sales target and store expansion plans before they place their orders. We also monitor the financial condition and repayment history of our retailers and distributors.

PERMITTED INDEMNITIES

Pursuant to the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. In addition, the Company has arranged for appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against the Directors arising out of corporate activities.

ENVIRONMENTAL POLICIES

We are committed to being an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycling of office supplies and other materials. Details of environmental policies are set out in the section headed "**Environmental, Social and Governance Report**" of this annual report.

INCORPORATION AND PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands by registration as a non-resident company on 18 January 1991 and re-registered as an exempted company with limited liability on 14 April 2014. Its principal place of business in Hong Kong is located at Unit J, 12/F, Fu Cheung Centre, Nos. 5-7 Wong Chuk Yeung Street, Fotan, Shatin, Hong Kong.

PRINCIPAL ACTIVITIES

The Company acts as an investment company. The principal activities of the Company's subsidiaries are designing, manufacturing, marketing and selling of Swiss-made mechanical and quartz premium watches for men and women and smart watch accessories R&D, OEM and manufacturer.

SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 December 2025 are set out in note 35 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate sales to the Group's largest and five largest customers accounted for approximately 14.3% (2024: approximately 22.0%) and approximately 47.9% (2024: approximately 53.1%), respectively, of the Group's total revenue for the Year.

The aggregate purchases from the Group's largest and five largest suppliers accounted for approximately 11.8% (2024: approximately 24.5%) and approximately 37.4% (2024: approximately 51.6%), respectively, of the Group's total purchases for the Year.

At no time during the Year, did a Director, his/her close associate(s) or a shareholder of the Company (who or which, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers and suppliers.

Report of the Directors

FINANCIAL STATEMENTS

The profit of the Group for the Year and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 70 to 133 of this annual report.

A discussion and analysis of the Group's performance during the Year and the material factors underlying its results and financial position are set out in the Management Discussion and Analysis on pages 9 to 19 of this annual report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group as at 31 December 2025 and for the past four financial years are set out on page 134 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group for the Year are set out in note 15 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company and the Group are set out on page 73 of the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2025, the Company's reserves available for distribution to the Shareholders amounted to approximately HK$53,482,000 (2024: approximately HK$103,909,000).

Under the Companies Law of the Cayman Islands, the share premium account of the Company in the amount of approximately HK$212,739,000 (2024: approximately HK$212,739,000) may be applied for payment of distributions or dividends to the Shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for FY2025 (2024: Nil).

CHARITABLE DONATIONS

The Group did not make any charitable donation during the Year (2024: Nil).

BANK BORROWINGS AND OTHER BORROWINGS

Details of bank borrowings and other borrowings of the Group as at 31 December 2025 are set out in notes 24 and 26 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law of the Cayman Islands where our Company is incorporated applicable to the Company.

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

During the year ended 31 December 2025, 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.

ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

As of the report date, the Group has not issued any consideration shares.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

DIRECTORS

The following table sets forth the information concerning the Directors for the Year and up to the date of this annual report.

Name	Position
Teguh Halim	Executive Director and Chairman of the Board
Kong Le	Executive Director
Xiong Ying	Non-executive Director
Yu Chi Kit	Independent Non-executive Director
Ng Tzyy Yeh Alroy Garrett	Independent Non-executive Director
Hong Ting	Independent Non-executive Director

Pursuant to article 84 of the Articles of Association, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No directors are required to retire by rotation at this year's AGM.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 6 to 8 of this annual report.

SERVICE CONTRACTS OF DIRECTORS

Each of the Executive Directors has entered into a service contract with the Company for a term of three years, which is subject to retirement by rotation and re-election in accordance with the Articles of Association, and may be terminated by either party upon prior written notice of three months. Each of the NEDs and the INEDs has entered into an appointment letter with the Company for a term of three years, which is subject to retirement by rotation and re-election in accordance with the Articles of Association, and may be terminated by either party upon a three-month prior written notice. The service contracts and appointment letters are automatically renewed upon expiration.

No Director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the remuneration of the Directors and five individuals with the highest emoluments of the Company are set out in note 12 to the consolidated financial statements.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2025 and up to and including the date of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, to the best knowledge of the directors and based on the information publicly available to the Company, there was sufficient public float as required by the Listing Rules.

CORPORATE GOVERNANCE REPORT

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 20 to 30 of this annual report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2025, the interests or short positions of the Directors and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company or the associated corporations of the Company, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**") which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Long Positions in the Company's Shares or shares in associated corporation of the Company

Name of Directors	Company/Name of associated corporation	Capacity/Nature of interest	Number of Shares held	Approximate Percentage of interest in the total issued Shares in the Company(2)/ associated corporation
Mr. Teguh Halim	Citychamp	Beneficial owner/ Personal Interest/ Interest of Spouse(1)	6,000,000	0.14%
Mr. Xiong Ying	Citychamp	Beneficial owner	70,000	0.00%

Notes:

1. 3,000,000 shares were held by Mr. Teguh Halim's wife.

2. Calculated based on the number of issued Shares as at 31 December 2025 (i.e. 4,351,888,206 shares).

Saved as disclosed above, as at 31 December 2025, none of the Directors and the Chief Executive of the Company and their respective associates had or was deemed to have any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to any Director or Chief Executive of the Company, as at 31 December 2025, the persons or corporations (not being a Director or Chief Executive of the Company) who or which had an interest or short position in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Long Position in the Company's Shares

Name	Capacity	Number of Shares	Approximate % of total number of issued Shares[5]
VGB Limited [1]	Beneficial owner	190,834,485	52.97%
Citychamp [1]	Interest in controlled corporation	190,834,485	52.97%
Sincere View [1,2]	Interest in controlled corporation	195,834,485	54.36%
Full Day [1,2]	Beneficial owner/interest in controlled corporation	208,854,485	57.97%
Hon Kwok Lung [2,3]	Interest in controlled corporation	213,854,485	59.36%
Lam Suk Ying [2,3]	Interest of spouse	213,854,485	59.36%
Prime Route [4]	Beneficial owner	52,935,000	14.69%
Xu Hong [4]	Interest in controlled corporation	52,935,000	14.69%

Notes:

1. In the issued share capital of the Company total 190,834,485 shares were directly held by VGB Limited and 208,854,485 shares directly held by Full Day Limited ("**Full Day**"). VGB Limited is wholly-owned and controlled by Citychamp. Citychamp was the controlled corporation of each of Sincere View International Limited ("**Sincere View**") and Full Day. Accordingly, each of Citychamp, Sincere View and Full Day was deemed to be interested in the shares of the Company held by VGB Limited.

2. Mr. Hon Kwok Lung ("**Mr. Hon**") held the entire issued share capital of Full Day. Sincere View was the controlled corporation of each of Mr. Hon and Ms. Lam Suk Ying ("**Ms. Lam**"), the spouse of Mr. Hon. Accordingly, each of Mr. Hon and Ms. Lam was deemed to be interested in the shares of the Company held by VGB Limited.

3. Mr. Hon and Ms. Lam also directly held 3,500,000 shares and 1,374,000 shares in the issued share capital of Citychamp, respectively.

4. Prime Route Investment Limited ("**Prime Route**") is a company wholly-owned by Ms. Xu Hong ("**Ms. Xu**"). Ms. Xu is therefore deemed to be interested in the shares held by Prime Route.

5. Calculated based on the number of issued Shares as at 31 December 2025 (i.e. 360,257,512 shares).

Save as disclosed above, as at 31 December 2025, the Directors were not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Company did not implement any share option scheme for the year 2025.

CONNECTED TRANSACTIONS

During the Year, the Company had loans (the "**Loan**") from its related parties, namely Citychamp. The Loan is unsecured, no interest and repayable on demand. The details of the Loans are set out in note 24 to the consolidated financial statements.

During the Year, as Citychamp is the controlling shareholder of the Company, the Loans and the Assignment of Insurance constitute connected transactions under Chapter 14A of the Listing Rules. However, given the Loans and the Assignment of Insurance are financial assistance received by the Company from its connected persons on normal commercial terms or better and they are not secured by any assets of the Company, the Loans and the Assignment of Insurance are fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

As disclosed in note 34 "Related Party Transactions" of the consolidated financial statements, the Group had the following continuing connected transactions during the Year:

Master Product and Service Framework Agreement

The Company and Citychamp Watch & Jewellery Group Limited ("**Citychamp Group**"), a controlling shareholder of the Company, renewed the Master Product and Service Framework Agreement* on 9 December 2022.

The principal terms of the Master Product and Service Framework Agreement are set out as follows:

Date:	9 December 2022
Parties:	(1) The Company and (2) Citychamp
Term:	From 1 January 2023 to 31 December 2025, unless terminated by either party by giving 30 days' prior written notice to the other party.
Nature and terms of transactions:	(1) the Citychamp Group may, from time to time, provide products and services to the Group, including (a) Watches and Components; and (b) Watch labor services; and (2) the Group may, from time to time, provide products and services to the Citychamp Group, including (a) Watches and Components; and (b) Watch labor services.

The Pricing Policy

Under the Renewed Master Product and Service Framework Agreement, products and services may be acquired by the Citychamp Group from the Group or acquired by the Group from the Citychamp Group.

(1) Products

The unit prices of the products purchased by the Citychamp Group from the Group shall be determined by reference to (and in any event no less favourable to) the prices in the price lists of the relevant products adopted by the Group from time to time and generally applicable to all Independent Third Parties on arm's length and normal commercial terms.

The unit prices of the products purchased by the Group from the Citychamp Group shall be determined by reference to the prices in the price lists of the relevant products adopted by Citychamp Group from time to time and generally applicable to all Independent Third Parties on arm's length and normal commercial terms. The unit prices of the products purchased by the Group from the Citychamp Group shall be no less favourable to the prevailing market unit prices of comparable products of similar type and quality available to the Group from Independent Third Parties. In determining the prevailing market price, the Group will collect relevant market information and/or price quotations available to the Group by Independent Third Parties for comparable products of similar type and quality, and review and compare at least two price quotations obtained by the Group with the unit prices available to the Group under the Renewed Master Product and Service Framework Agreement.

(2) Services

The fees of Watch labor services provided by the Group to the Citychamp Group is to be determined through negotiation between the Group and the Citychamp Group with reference to the Group's service fee lists for similar services provided to Independent Third Parties. The service fees of the Watch labor services shall be no less favourable to the service fees which would have been charged if similar services were to be provided to Independent Third Parties. The fees of the Watch labor services provided by the Citychamp Group to the Group shall be no less favourable to the prevailing market rate of comparable services of similar type and quality available to the Group from Independent Third Parties. In determining the prevailing market rate, the Group will collect relevant market information and/or fee quotations offered to the Group by Independent Third Parties for comparable services of similar type and quality, and review and compare at least two price quotations obtained by the Group with the service fees available to the Group under the Renewed Master Product and Service Framework Agreement.

The proposed annual caps for the aggregate transaction amount under the Renewed Master Product and Service Framework Agreement for the financial years ending 31 December 2023, 31 December 2024 and 31 December 2025 respectively are set out as follows:

Period/financial years	**Proposed Annual Caps** (HKD)
Products	
For the financial year ending 31 December 2023	9,500,000
For the financial year ending 31 December 2024	9,500,000
For the financial year ending 31 December 2025	9,500,000
Services	
For the financial year ending 31 December 2023	500,000
For the financial year ending 31 December 2024	500,000
For the financial year ending 31 December 2025	500,000

These transactions constitute continuing connected transactions with a connected person which is subject to the annual review, reporting and announcement requirements pursuant to Rule 14A.76 of the Listing Rules and exempt from independent shareholders' approval.

For the year ended 31 December 2025, the aggregate transaction amount of Products and Services under the Master Product and Service Framework Agreement is around HK$1,062,000.

The Board, including the INEDs, has reviewed and confirmed that each of the connected transactions and continuing connected transactions were entered into during the year was:

(1) in the ordinary and usual course of business of the Group;

(2) either (i) on arm's length and normal commercial terms; or (ii) where there was no available comparison on terms no less favorable to or from the Group than terms available to or from independent third parties;

(3) in accordance with the relevant agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(4) the aggregate transaction amount during the financial year ended 31 December 2025 had not exceeded the cap disclosed in the respective announcements.

* the original agreement was entered into on 29 September 2020. Details are set out in the announcement dated 29 September 2020.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group below in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DIRECTORS' AND SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 34 to the consolidated financial statements, no transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or any connected entity thereof had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the paragraphs headed "Share Option Scheme" above, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

EMOLUMENT POLICY

The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the remuneration committee periodically.

The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics.

Mr. Teguh Halim and Ms. Lam Lai waived emoluments of HK$1,300,000 and HK$496,667 respectively for the year ended 31 December 2025 (2024: Mr. Teguh Halim and Ms. Lam Lai waived emoluments of HK$1,300,000 respectively.). Except these, no other directors waived or agreed to waive any remuneration for the years ended 31 December 2025 and 2024.

RETIREMENT SCHEMES

The Group participates in defined contribution retirement benefit schemes organized by the municipal and provincial government authorities in the PRC for the Group's eligible employees in the PRC, and operates a Mandatory Provident Fund scheme for the employees in Hong Kong and contributes to a mandatory post-employment defined benefit plan ("**Defined benefit scheme**") for the employees in Switzerland. Particulars of these retirement plans are set out in note 25 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save for the "Share Option Scheme" described above, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2025.

COMPLIANCE WITH LAWS AND REGULATIONS

We have complied with all the relevant laws and regulations that have a material impact on the operations of the Group during the year ended 31 December 2025.

SIGNIFICANT LEGAL PROCEEDINGS

The Group and the Company were not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Group and the Company during the Year and at 31 December 2025.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises all the three INEDs, namely Mr. Yu Chi Kit, Mr. Ng Tzyy Yeh Alroy Garrett and Ms. Hong Ting, Mr. Yu Chi Kit serving as the chairman. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Group's consolidated annual results and annual report for the Year.

INDEPENDENT AUDITORS

The consolidated financial statements of the Group for the years ended 31 December 2024 and 2025 were audited by BDO Limited.

BDO Limited will retire and will be eligible to offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as auditors of the Company will be proposed at the forthcoming AGM of the Company.

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

Hong Kong, 30 March 2026

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF ERNEST BOREL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Ernest Borel Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 70 to 133, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provision for inventories

Refer to notes 5(c) and 19 to the consolidated financial statements and the accounting policies on note 4(l).

As at 31 December 2025, the Group has inventories with the carrying amount of HK$285,586,000, which represented a substantial portion of the Group's total assets.

Management considers several factors in determining the appropriate level of inventory allowance, including inventory ageing, subsequent sales and usage of inventories, product pricing and current market condition.

We identified the valuation of inventories as key audit matter because of the magnitude of the inventories and significant judgement is exercised by management in determining the appropriate level of inventory allowance.

How the matter was addressed in our audit

Our procedures on the management's assessment on the inventory allowance included:

(i) Obtaining an understanding of the management's basis for inventory provision;

(ii) Assessing the reasonableness of the basis used and estimates made by the management in determining the level of inventory allowance; and

(iii) Testing the inventory ageing, on a sample basis, to the inventory records.

Impairment assessment of property, plant and equipment and intangible assets

Refer to notes 5(a), 15 and 17 to the consolidated financial statements and accounting policies as set out in notes 4(i), 4(j) and 4(k).

As at 31 December 2025, the Group had property, plant and equipment and intangible assets of HK$20,194,000 and HK$27,769,000, respectively (before the current year impairment loss) relating to smart watch manufacturing business cash-generating unit ("**Gold Vantage CGU**") within the Group.

Management is required to perform impairment assessment if a potential impairment is identified.

Determining whether the carrying amounts of the Gold Vantage CGU is impaired requires an estimation of the recoverable amount, which is considered to be the higher of fair value less cost of disposal and value-in-use. The value-in-use calculation requires the management to estimate the future cash flows expected to arise from the Gold Vantage CGU and a suitable discount rate in order to calculate the present value. Management has appointed an independent valuation firm to assist them to carry out the assessments. In carrying out the assessments, management and the independent valuation firm are required to make judgements when estimating recoverable amounts of the Gold Vantage CGU, including (i) producing future cash flow forecasts with appropriate assumptions; and (ii) selecting and applying appropriate key inputs such as discount rate.

We identified the impairment assessment of property, plant and equipment and intangible assets as a key audit matter because of its significance to the consolidated financial statements and because this area involves a significant degree of judgements and estimation made by management, in particular the estimation of future cash flows and discount rate.

Management concluded that, based on the impairment assessment, impairment losses of HK$4,978,000 and HK$6,884,000 have been recognised on property, plant and equipment and intangible assets, respectively.

How the matter was addressed in our audit

(i) Assessing the valuation methodologies used;

(ii) Evaluating the independent valuation firm's competence, capabilities and objectivity;

(iii) Reviewing and challenging the reasonableness of key assumptions and critical judgement areas which underpin the calculations;

(iv) Engaging an auditor's expert to assist the appropriateness of the valuation methodology and the reasonableness of the inputs, assumptions and estimation used by management and the independent valuation firm which underpin the fair value estimate; and

(v) Checking the accuracy and the relevance of the input data used.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors of the Company in discharging their responsibilities in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Wong Kwok Wai
Practising Certificate Number P06047

Hong Kong, 30 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	NOTES	2025 HK$'000	2024 HK$'000
Revenue	*6*	**79,345**	99,280
Cost of sales		**(76,080)**	(90,656)
Gross profit		**3,265**	8,624
Other gains and losses, net	*7*	**26,520**	38,888
Other income	*8*	**1,131**	736
Distribution expenses		**(23,886)**	(26,532)
Administrative expenses		**(55,391)**	(60,031)
Finance costs	*9*	**(10,095)**	(9,974)
Loss before tax	*10*	**(58,456)**	(48,289)
Income tax credit	*11*	**5,971**	351
Loss for the year attributable to owners of the Company		**(52,485)**	(47,938)
Other comprehensive income			
Item that will not be subsequently reclassified to profit or loss:			
Remeasurement of net defined benefit obligations	*25*	**(127)**	(193)
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**9,416**	(17,756)
Other comprehensive income for the year		**9,289**	(17,949)
Total comprehensive income for the year attributable to owners of the Company		**(43,196)**	(65,887)
Loss per share			
– Basic and diluted (Hong Kong cents)	*14*	**(14.57)**	(13.31)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	NOTES	2025 HK$'000	2024 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**27,436**	43,650
Life insurance policy	*16*	**1,525**	1,417
Deposits	*20*	**21,306**	991
Intangible assets	*17*	**20,885**	36,801
Deferred tax assets	*27*	**3,773**	4,540
		74,925	87,399
CURRENT ASSETS			
Inventories	*19*	**285,586**	288,123
Trade and other receivables	*20*	**114,081**	142,533
Financial assets at fair value through profit or loss	*21*	**35,810**	24,718
Cash and cash equivalents	*22*	**8,382**	10,228
		443,859	465,602
CURRENT LIABILITIES			
Trade and other payables	*23*	**41,183**	67,788
Tax payable		**–**	1,225
Lease liabilities	*29*	**3,678**	4,527
Amounts due to related parties	*24*	**32,721**	22,138
Amounts due to fellow subsidiaries	*24*	**311,975**	286,804
Amount due to a director	*24*	**913**	–
Amount due to an ultimate holding company	*24*	**14,534**	7,480
Bank and other borrowings	*26*	**27,616**	19,919
		432,620	409,881
NET CURRENT ASSETS		**11,239**	55,721
TOTAL ASSETS LESS CURRENT LIABILITIES		**86,164**	143,120

Consolidated Statement of Financial Position

As at 31 December 2025

	NOTES	2025 HK$'000	2024 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	*29*	**4,439**	11,841
Bank borrowings	*26*	**1,225**	1,788
Deferred tax liabilities	*27*	**21,513**	26,823
Pension obligations	*25*	**278**	763
		27,455	41,215
NET ASSETS		**58,709**	101,905
EQUITY			
Equity attributable to owners of the Company			
Share capital	*28*	**3,603**	3,603
Reserves		**55,106**	98,302
TOTAL EQUITY		**58,709**	101,905

The consolidated financial statements on pages 70 to 133 were approved and authorised for issue by the board of directors on 30 March 2026 and are signed on its behalf by:

Teguh Halim
DIRECTOR

Kong Le
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Share capital HK$'000	Share premium HK$'000 (Note (iii))	Other reserve HK$'000 (Notes (i) and (iii))	Actuarial gain and loss reserve HK$'000 (Note (iii))	General reserve HK$'000 (Notes (ii) and (iii))	Translation reserve HK$'000 (Note (iii))	Accumulated losses HK$'000 (Note (iii))	Total HK$'000
At 1 January 2024	3,603	212,739	15,500	2,711	1,547	23,313	(91,621)	167,792
Loss for the year	–	–	–	–	–	–	(47,938)	(47,938)
Other comprehensive income for the year	–	–	–	(193)	–	(17,756)	–	(17,949)
Total comprehensive income for the year	–	–	–	(193)	–	(17,756)	(47,938)	(65,887)
At 31 December 2024 and 1 January 2025	**3,603**	**212,739**	**15,500**	**2,518**	**1,547**	**5,557**	**(139,559)**	**101,905**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(52,485)**	**(52,485)**
Other comprehensive income for the year	**–**	**–**	**–**	**(127)**	**–**	**9,416**	**–**	**9,289**
Total comprehensive income for the year	**–**	**–**	**–**	**(127)**	**–**	**9,416**	**(52,485)**	**(43,196)**
At 31 December 2025	**3,603**	**212,739**	**15,500**	**2,391**	**1,547**	**14,973**	**(192,044)**	**58,709**

Notes:

(i) Other reserve of HK$15,500,000 represents amount arising from capitalisation of loans from former shareholders of a subsidiary of the Company.

(ii) General reserve represents the legal reserve being allocated from the retained profits of certain subsidiaries of the Company, as required under the relevant legislation of Switzerland and the People's Republic of China (the "**PRC**"), respectively.

(iii) These reserve accounts comprise of the consolidated reserves of HK$55,106,000 (2024: HK$98,302,000) in the consolidated statements of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	NOTES	**2025 HK$'000**	2024 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(58,456)**	(48,289)
Adjustments for:			
Provision for inventories	*10*	**8,564**	11,489
(Reversal of)/provision for impairment loss of trade receivables, net	*7*	**(2,678)**	3,465
Impairment loss on goodwill		**–**	26,926
Depreciation of property, plant and equipment	*10*	**13,800**	15,228
Amortisation of intangible assets	*10*	**10,322**	11,735
Fair value gain on financial assets/liabilities at fair value through profit or loss	*7*	**(35,214)**	(69,623)
Impairment loss on property, plant and equipment	*7*	**4,978**	1,407
Impairment loss on intangible asset	*7*	**6,884**	1,732
Fair value change for the life insurance policy	*7*	**(104)**	(19)
Gain on early termination of lease	*7*	**(572)**	(519)
Loss on write off of property, plant and equipment	*7*	**–**	60
Loss on disposal of property, plant and equipment	*7*	**525**	–
Finance costs	*9*	**10,095**	9,974
Interest income	*8*	**(9)**	(180)
Provision for defined benefit obligations	*25*	**(545)**	(551)
Operating losses before working capital changes		**(42,410)**	(37,165)
Changes in working capital:			
Decrease in inventories		**14,347**	15,990
Decrease/(increase) in trade and other receivables		**35,626**	(11,574)
(Decrease)/increase in trade and other payables		**(30,089)**	5,068
Contribution to defined benefit obligations		**(28)**	551
Cash used in operations		**(22,554)**	(27,130)
Income tax paid		**–**	(138)
NET CASH USED IN OPERATING ACTIVITIES		**(22,554)**	(27,268)
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(4,751)**	(5,017)
Additions to intangible asset		**–**	(457)
Proceeds from disposal of property, plant and equipment		**216**	–
Withdrawal of pledged bank deposits		**–**	5,000
Deposit paid for property, plant and equipment		**(20,360)**	–
Interest received		**9**	180
NET CASH USED IN INVESTING ACTIVITIES		**(24,886)**	(294)

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	NOTES	2025 HK$'000	2024 HK$'000
FINANCING ACTIVITIES	*33*		
Repayment of bank and other borrowings		**(7,597)**	(16,392)
Bank and other borrowing interest paid		**(645)**	(1,593)
New bank and other borrowings raised		**13,082**	4,500
Lease payments for lease liabilities		**(5,144)**	(6,489)
Repayment of loan from related parties		**(2,313)**	(2,925)
Loans from related parties		**22,011**	28,505
Repayment of loan from fellow subsidiaries		**–**	(2,313)
Receipt from fellow subsidiaries		**18,864**	27,192
Loan from an ultimate holding company		**10,454**	18,400
Repayment to an ultimate holding company		**(3,500)**	(14,320)
Loan from a director		**913**	–
Repayment of loan of a director		**–**	(2,424)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**46,125**	32,141
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,315)**	4,579
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**10,228**	5,911
Effect of foreign exchange rate changes		**(531)**	(262)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH		**8,382**	10,228

1. GENERAL

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

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

– design, manufacturing, marketing and selling of Swiss-made mechanical and quartz premium watches; and

– design, 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 2025

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 effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2025:

Amendments to IAS 21	Lack of Exchangeability
Amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37	Disclosures about Uncertainties in the Financial Statements

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.

2. APPLICATION OF NEW OR AMENDMENTS TO IFRS ACCOUNTING STANDARDS ("IFRS ACCOUNTING STANDARDS")

(Continued)

(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 IFRS 7 and IFRS 9	Amendments to the Classification and Measurement of Financial Instruments[1]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing nature-dependent Electricity[1]
IFRS 18	Presentation and Disclosure in Financial Statements[2]
IFRS 19 and its amendments	Subsidiaries without Public Accountability: Disclosures[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2026
2 Effective for annual periods beginning on or after 1 January 2027
3 Effective for annual periods beginning on or after a date to be determined

The Group will apply the above new standards, revised framework and amendments to standards when they become effective. Except for IFRS 18 as mentioned below, these new standards, revised framework and amendments to standards are not expected to have a material impact on the entity in the current or future reporting periods.

IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. The new requirements are expected to impact the Group's presentation of the consolidated statements of profit or loss and disclosures of the Group's financial performance. However, it is expected that the initial adoption of IFRS 18 would not significantly affect the Group's financial performance and position.

3. BASIS OF PREPARATION

3.1 Statement of compliance and basis of measurement

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the IASB. In addition, the consolidated financial statements include applicable disclosures requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and the Hong Kong Companies Ordinance.

3. BASIS OF PREPARATION *(Continued)*

3.1 Statement of compliance and basis of measurement *(Continued)*

The consolidated financial statements have been prepared on the historical cost basis, except for the life insurance policy (note 16) and financial assets at fair value through profit or loss (note 21), which are stated at fair value.

The adoption of new or amendments to IFRS Accounting Standards and the impact on the Group's consolidated financial statements, if any, are disclosed in note 2.

It should be noted that accounting estimates and assumptions are used in preparing the consolidated financial statements. Although these estimates are based on the Group's management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

3.2 Going concern basis

The consolidated financial statements have been prepared on a going concern basis, notwithstanding that the Group incurred the loss of HK$52,485,000 for the year ended 31 December 2025. The going concern basis has been adopted on the basis of the undertakings from related parties, fellow subsidiaries, a director and ultimate holding company for not to demand repayment of debts until such time when the repayment will not affect the Group's ability to repay other creditors in the normal course of business. Accordingly, the consolidated financial statements have been prepared on a going concern basis. Further details are disclosed in note 32(b).

3.3 Functional and presentation currency

The consolidated financial statements are presented in Hong Kong Dollars ("**HK$**"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("**HK$'000**") unless otherwise stated and may be different from the functional currency of certain group entities, that is, Renminbi ("**RMB**") and Swiss Franc ("**CHF**"). The Group's management has elected to use HK$ as they believe HK$ is the appropriate presentation currency for the users of Group's consolidated financial statements.

4. ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

4. ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquire is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments, in which case the costs are deducted from equity.

In respect of a business combination which took place during the year ended 31 December 2023, the vendor undertakes to reimburse to the Group the shortfall between the target financial performance and the actual financial performance of the acquiree, by reducing the amount of consideration to be paid by the Group to the vendor and potentially by cash (referred to as profit compensation in note 21 to the consolidated financial statement for details), the arrangements of such profit compensation was accounted for as financial liabilities/financial assets at fair values through profit or loss.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the fair value of consideration transferred, the amount recognised for non-controlling interests in the acquire and the acquisition date fair value of the Group's previously held equity interest in the acquiree over the fair value of identifiable assets, liabilities and contingent liabilities acquired. The consideration transferred is measured at the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of the Group's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash generating units ("**CGU**") that are expected to benefit from the synergies of the acquisition. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

4. ACCOUNTING POLICIES *(Continued)*

(d) Revenue

Revenue from contracts with customers

The Group sells goods to customer. Revenue from sales of goods to customers is recognised when control of the products has been transferred, being when the products are delivered to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products. It is the Group's policy to sell its products to the customers with a right to exchange faulty products to another product within reasonable period after delivery. These rights of return do not allow the returned goods to be refund in cash. No liability and right to the returned goods are recognised as insignificant amount of returns are expected based on accumulated experience.

Maintenance service income is recognised at a point of time when the repair services is complete. The contract price is fixed with no variable consideration.

(e) Lease

The Group as lessee

All leases are required to be capitalised in the consolidated statements of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less and do not contain purchase option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the lessees' incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

4. ACCOUNTING POLICIES *(Continued)*

(e) Lease *(Continued)*

Lease liability *(Continued)*

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

(f) Retirement benefit costs

Retirement benefits to employees are provided through defined contribution plans and defined benefit pension plans.

(i) Defined contribution plans (for subsidiaries in Hong Kong and the PRC)

A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance, for those employees in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government (the "**Scheme**"). These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The Scheme is responsible for the entire pension obligations payable to the retired employees and the Group has no further obligations for the actual pension payments or other post-retirement benefits beyond the employer contributions. Contributions under the Scheme are charged to profit or loss as they become payable in accordance with the rules of the PRC.

4. ACCOUNTING POLICIES *(Continued)*

(f) Retirement benefit costs *(Continued)*

(ii) Defined benefit scheme (for a subsidiary in Switzerland)

Defined benefit pension plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the consolidated statements of financial position in respect of defined pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflow using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in profit or loss.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).

- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service costs by attributing the contributions to periods of service using the attribution method required by IAS 19 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the Group reduces service costs by attributing contributions to the employees' periods of service in accordance with IAS 19 paragraph 70.

(g) Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS Accounting Standards requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

4. ACCOUNTING POLICIES *(Continued)*

(g) Short-term and other long-term employee benefits *(Continued)*

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurement are recognised in profit or loss except to the extent that another IFRS Accounting Standards requires or permits their inclusion in the cost of an asset.

(h) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax for the Company is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Except for goodwill and recognised assets and liabilities that affect accounting nor taxable profit, deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. ACCOUNTING POLICIES *(Continued)*

(i) Property, plant and equipment

Property, plant and equipment including buildings and freehold land held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and amortisation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets (other than freehold land) less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Right-of-use assets	Over the shorter of lease terms or at 30%
Building held under freehold land	3.3%–10%
Leasehold improvement	Over the lease term ranging from 3 to 5 years
Furniture, fixtures and equipment	5%–50%
Machinery	6%–20%
Motor vehicles	30%

Freehold land is not depreciated.

The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

(j) Intangible assets

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with definite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. The amortisation expense is recognised in profit or loss.

Computer software	10 years
Customer relationship	3 years
Technical knowhow	10 years

Intangible assets with indefinite useful lives shall not be amortised. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

4. ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets *(Continued)*

(ii) Impairment

Intangible assets with definite useful lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives (included goodwill) and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount; however, the carrying amount should not be increased above the lower of its recoverable amount and the carrying amount that would have resulted had no impairment loss been recognised for the asset in prior years. All reversals are recognised in the profit or loss immediately.

(k) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and

- intangible assets

If the recoverable amount (i.e. the higher of the fair value less costs of disposal and value-in-use) of an asset/its cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset/its cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount under another IFRS Accounting Standards, in which case the impairment loss is treated as a revaluation decrease under that IFRS Accounting Standards.

Where an impairment loss subsequently reverses, the carrying amount of the asset/its cash-generating unit is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Value-in-use is based on the estimated future cash flows expected to be derived from the asset or CGU (note 4(c)), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

4. ACCOUNTING POLICIES *(Continued)*

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

(m) Provision and contingent liabilities

Provisions are generally recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are stated at the present value of the expenditures expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Debt instrument, including trade and other receivables and bank balances and cash, that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method.

Fair value through profit or loss ("**FVTPL**") representing the assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss.

4. ACCOUNTING POLICIES *(Continued)*

(n) Financial instruments *(Continued)*

(ii) Impairment of financial assets

The Group recognises loss allowances for expected credit loss ("**ECL**") on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measure loss allowances for trade receivables using simplified approach and has calculated ECLs based on lifetime ECLs. The ECL on these assets are assessed individually for debtors which are assessed to be credit-impaired and collectively for other debtors using a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless the Group has reasonable and supportable information that a more lagging default criterion is more appropriate.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

4. ACCOUNTING POLICIES *(Continued)*

(n) Financial instruments *(Continued)*

(iii) Financial liabilities

Financial liabilities at amortised cost including trade and other payables, bank and other borrowings, amounts due to related parties, fellow subsidiaries, a director and ultimate holding company. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The changes in fair value are recognised in profit or loss in the period in which they arise.

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period which may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

(a) Estimated impairment of non-current assets

The Group assesses whether there are any indicators of impairment for all non-current assets at the end of each reporting period. An impairment exists when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The calculation of the fair value less costs of disposal is based on an estimate of the price that would be received to sell and asset in an orderly transaction between market participants at the measurement date. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Estimated allowance of trade and other receivables

The Group estimates impairment losses of trade and other receivables are based on assumptions about risk of default and expected credit loss rate according to the accounting policies stated in Note 4 (n) (ii). The Group adopts judgement in making these assumptions and selecting inputs for computing such impairment loss, broadly based on the available counterparties' historical default rates, existing market conditions including forward looking estimates at end of reporting period.

(c) Estimated provision for inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. Estimation of the net realisable of inventories value takes into account the selling prices, movements, conditions, ageing analysis and subsequent usage of the relevant inventories.

(d) Income taxes and deferred taxation

The Group is subject to corporate income taxes in Mainland China, Switzerland and Hong Kong. Significant judgements are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

(e) Leases – estimating the incremental borrowing rate

The Group uses its incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(f) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the '**fair value hierarchy**'):

– Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;

– Level 2: observable inputs other than quoted prices included within Level 1; and

– Level 3: unobservable inputs are inputs for which market data are not available.

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

6. 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: design, development and manufacturing of stainless-steel alloy watches cases, smartwatches cases on ODM and OEM basis.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results

For the year ended 31 December 2025

	Watches HK$'000	Smart watch manufacturing HK$'000	Unallocated HK$'000	Total HK$'000
Segment revenue				
Revenue	31,443	47,902	–	79,345
Segment results	(34,743)	(12,605)	–	(47,348)
Unallocated corporate incomes and expenses, net	–	–	(1,013)	(1,013)
Finance cost	(7,505)	(1,013)	(1,577)	(10,095)
Loss before income tax	(42,248)	(13,618)	(2,590)	(58,456)
Income tax (expense)/credit	(65)	6,036	–	5,971
Loss after income tax	(42,313)	(7,582)	(2,590)	(52,485)
Segment assets				
Watches				372,198
Smart Watch Manufacturing				146,248
Unallocated assets				338
Total assets				518,784
Segment liabilities				
Watches				350,656
Smart Watch Manufacturing				49,125
Unallocated liabilities				60,294
Total liabilities				460,075
Other segment information				
Interest income	2	7	–	9
Reversal of/(provision for) impairment loss of trade receivables, net	2,967	(289)	–	2,678
Provision for inventories allowance	(8,200)	(364)	–	(8,564)
Impairment loss on intangible assets	–	(6,884)	–	(6,884)
Impairment loss on property, plant and equipment	–	(4,978)	–	(4,978)
Fair value gain on financial assets at fair value through profit or loss	–	35,214	–	35,214
Depreciation and amortisation	(4,531)	(19,591)	–	(24,122)
Additions to non-current assets	1,985	4,713	–	6,698

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2024

	Watches HK$'000	Smart watch manufacturing HK$'000	Unallocated HK$'000	Total HK$'000
Segment revenue				
Revenue	38,008	61,272	–	99,280
Segment results	(37,528)	4,109	–	(33,419)
Unallocated corporate incomes and expenses, net	–	–	(4,896)	(4,896)
Finance cost	(7,748)	(1,321)	(905)	(9,974)
(Loss)/profit before income tax	(45,276)	2,788	(5,801)	(48,289)
Income tax (expense)/credit	(135)	486	–	351
(Loss)/profit after income tax	(45,411)	3,274	(5,801)	(47,938)
Segment assets				
Watches				383,075
Smart Watch Manufacturing				169,710
Unallocated assets				216
Total assets				553,001
Segment liabilities				
Watches				325,071
Smart Watch Manufacturing				82,382
Unallocated liabilities				43,643
Total liabilities				451,096
Other segment information				
Interest income	95	84	1	180
Provision for impairment loss of trade receivables, net	(3,350)	(115)	–	(3,465)
Provision for inventories allowance	(10,605)	(884)	–	(11,489)
Impairment loss on intangible assets	–	(1,732)	–	(1,732)
Impairment loss on property, plant and equipment	–	(1,407)	–	(1,407)
Fair value gain on financial assets/liabilities at fair value through profit or loss	–	69,623	–	69,623
Impairment loss on goodwill	–	(26,926)	–	(26,926)
Depreciation and amortisation	(5,763)	(21,200)	–	(26,963)
Additions to non-current assets	4,953	1,471	–	6,424

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

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	
	2025	2024
	HK$'000	HK$'000
The PRC	**59,089**	81,884
Vietnam	**6,181**	151
Hong Kong and Macau	**10,225**	11,214
Korea	**776**	612
South East Asia	**1,921**	2,011
Others	**1,153**	3,408
	79,345	99,280

	Non-current assets (excluding deferred tax assets and financial instruments)	
	2025	2024
	HK$'000	HK$'000
PRC	**36,443**	70,427
Hong Kong	**768**	1,959
Switzerland	**7,912**	8,065
Vietnam	**3,198**	–
	48,321	80,451

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

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

	2025 HK$'000	2024 HK$'000
Customer A	11,366	–
Customer B	9,417	21,842
Customer C	–	12,263

7. OTHER GAINS AND LOSSES, NET

	2025 HK$'000	2024 HK$'000
Exchange gain, net	339	2,317
Gain on early termination of lease	572	519
Impairment loss on goodwill	–	(26,926)
Impairment loss on property, plant and equipment	(4,978)	(1,407)
Impairment loss on intangible assets	(6,884)	(1,732)
Reversal of/(provision for) impairment loss of trade receivable, net	2,678	(3,465)
Fair value gain on financial assets/liabilities at fair value through profit or loss	35,214	69,623
Fair value change on life insurance policy	104	19
Loss on written off of property, plant and equipment	–	(60)
Loss on disposal of property, plant and equipment	(525)	–
	26,520	38,888

8. OTHER INCOME

	2025 HK$'000	2024 HK$'000
Bank interest income	9	180
Income from sale of steel slag	546	147
Sundry income	576	409
	1,131	736

9. FINANCE COSTS

	2025 HK$'000	2024 HK$'000
Interest charged on:		
Bank and other borrowings	1,692	2,097
Loans from related parties	700	579
Loan from an ultimate holding company	100	–
Loans from fellow subsidiaries	6,986	6,523
Lease liabilities	617	775
	10,095	9,974

10. LOSS BEFORE TAX

	2025 HK$'000	2024 HK$'000
Loss before tax has been arrived at after charging/(crediting):		
Auditors' remuneration		
– Audit services	1,100	1,100
– Non-audit services	32	32
Cost of inventories recognised as expenses, including:	76,080	90,656
– Provision for inventories allowance	8,564	11,489
Depreciation of property, plant and equipment	13,800	15,228
Amortisation of intangible assets	10,322	11,735
Short-term lease rental	728	997
Staff costs (including directors' emoluments):		
– Salaries and other benefits	45,494	55,744
– Retirement benefits scheme contributions	5,267	4,697
Total staff costs	50,761	60,441

Note: Cost of inventories sold includes HK$21,870,000 (2024: HK$28,549,000) relating to staff costs and depreciation expenses.

11. INCOME TAX CREDIT

	2025 HK$'000	2024 HK$'000
Deferred tax credit	**5,971**	351
Income tax credit for the year	**5,971**	351

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

Switzerland Income Tax is calculated at certain tax rates on the assessable income for both years. Under the relevant Tax Laws in Switzerland, the Group's subsidiaries incorporated in Switzerland were subjected to Direct Federal Tax ("**DFT**") of 8.5% (2024: 8.5%) and Cantonal Communal Tax ("**CCT**") calculated at 7.2% (2024: 7.2%). No provision for Switzerland Income Tax has been made for both years as the Group has no assessable profits arising in Switzerland.

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% (2024: 25%). No provision for Enterprise Income Tax has been made for both years as the Group has no assessable profits arising in the PRC.

Income tax credit for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2025 HK$'000	2024 HK$'000
Loss before tax	**(58,456)**	(48,289)
Tax credit at the rates applicable to tax jurisdictions concerned	**(13,360)**	(6,723)
Tax effect of income not taxable for tax purposes	**(6,556)**	(11,233)
Tax effect of expenses not deductible for tax purposes	**2,966**	7,792
Tax effect of tax losses not recognised	**10,979**	8,494
Tax effect of temporary differences not recognised	**–**	1,319
Income tax credit for the year	**(5,971)**	(351)

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

a. Directors

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
For the year ended 31 December 2025				
Executive directors				
Mr. Teguh Halim *(note ix)*	–	–	–	–
Ms. Lam Lai *(note i)*	–	–	–	–
Mr. Kong Le *(note ii)*	–	–	–	–
Non-executive director				
Mr. Xiong Ying	50	–	–	50
Independent non-executive directors				
Mr. Yu Chi Kit *(note iii)*	120	–	–	120
Ms. Chan Lai Wa *(note iv)*	49	–	–	49
Ms. Hong Ting *(note v)*	71	–	–	71
Mr. Ng Tzyy Yeh Alroy Garrett *(note vi)*	71	–	–	71
Mr. Zhang Bin *(note vii)*	20	–	–	20
	381	–	–	381

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

a. Directors *(Continued)*

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
For the year ended 31 December 2024				
Executive directors				
Mr. Teguh Halim *(note ix)*	–	–	–	–
Ms. Lam Lai *(note i)*	–	–	–	–
Non-executive director				
Mr. Xiong Ying	50	–	–	50
Independent non-executive directors				
Mr. Yu Chi Kit *(note iii)*	67	–	–	67
Ms. Chan Lai Wa *(note iv)*	120	–	–	120
Mr. Zhang Bin *(note vii)*	120	–	–	120
Mr. To Chun Kei *(note viii)*	54	–	–	54
	411	–	–	411

During the year ended 31 December 2025, Mr. Teguh Halim and Ms. Lam Lai waived emoluments of HK$1,300,000 (2024: HK$1,300,000) and HK$496,667 (2024: HK$1,300,000), respectively. Except them, no other directors waived or agreed to waive any emoluments for the years ended 31 December 2025 and 2024.

Notes:

i. Ms. Lam Lai retired as an executive director of the Company with effect from 29 May 2025.

ii. Mr. Kong Le was appointed as an executive director of the Company with effect from 29 May 2025.

iii Mr. Yu Chi Kit was appointed as an independent non-executive director of the Company with effect from 11 June 2024.

iv. Ms. Chan Lai Wa retired as an independent non-executive director of the Company with effect from 29 May 2025.

v. Ms. Hong Ting was appointed as an independent non-executive director of the Company with effect from 29 May 2025.

vi. Mr. Ng Tzyy Yeh Alroy Garrett was appointed as an independent non-executive director of the Company with effect from 29 May 2025.

vii. Mr. Zhang Bin was deceased on 4 March 2025.

viii. Mr. To Chun Kei retired as an independent non-executive director of the Company with effect from 11 June 2024.

ix. Mr. Teguh Halim has concurrently assumed the position of chief executive officer of the Company since 30 June 2024. He has not received any remuneration or allowances in respect of this appointment.

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(Continued)

b. Five highest paid individuals

No director of the Company included in the five highest paid employees of the Group during the year (2024: nil). Details of the remuneration for the year of highest paid employees are as follows:

	2025 HK$'000	2024 HK$'000
Salaries and other benefits	4,484	3,942
Retirement benefits scheme contributions	72	90
	4,556	4,032

The number of the highest paid employees whose emoluments fell within the following bands is as follows:

	2025 No. of individuals	2024 No. of individuals
HK$500,001 – HK$1,000,000	3	3
HK$1,000,001 – HK$1,500,000	2	2

No emolument was paid by the Group to the directors or the five (2024: five) highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office (2024: nil).

c. Emoluments to members of senior management

The emoluments to members of senior management (excluding the remunerations to directors which have been disclosed in note 12a above) were within the following bands:

	2025 No. of individuals	2024 No. of individuals
HK$500,001 – HK$1,000,000	1	1

13. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2025 and 2024, nor has any dividend been proposed since the end of the reporting period.

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the year ended 31 December 2025 is based on the loss attributable to owners of the Company of HK$52,485,000 (2024: HK$47,938,000) and on the weighted average number of 360,258,000 (2024: 360,258,000) ordinary shares in issue during the year.

There are no potential dilutive ordinary shares outstanding for the years ended 31 December 2025 and 2024 and thus the diluted loss per share is the same as the basic loss per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK$'000	Freehold Land and building outside Hong Kong HK$'000	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
At 1 January 2024	46,108	29,774	8,226	103,441	28,810	1,158	217,517
Additions	950	–	1,207	2,974	836	–	5,967
Written off	–	–	(3,898)	(6,712)	(124)	(603)	(11,337)
Early termination of lease	(11,080)	–	–	–	–	–	(11,080)
Exchange realignment	(789)	(2,157)	(315)	(1,847)	(1,120)	(8)	(6,236)
At 31 December 2024 and 1 January 2025	**35,189**	**27,617**	**5,220**	**97,856**	**28,402**	**547**	**194,831**
Additions	**1,947**	**–**	**1,466**	**2,132**	**1,153**	**–**	**6,698**
Disposal	**–**	**–**	**–**	**(492)**	**(2,604)**	**–**	**(3,096)**
Early termination of lease	**(10,954)**	**–**	**–**	**–**	**–**	**–**	**(10,954)**
Exchange realignment	**810**	**3,961**	**578**	**2,822**	**1,718**	**–**	**9,889**
At 31 December 2025	**26,992**	**31,578**	**7,264**	**102,318**	**28,669**	**547**	**197,368**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2024	23,996	20,278	8,113	97,934	8,927	1,158	160,406
Provided for the year	6,003	1,090	293	2,962	4,880	–	15,228
Written off	–	–	(3,898)	(6,652)	(124)	(603)	(11,277)
Early termination of lease	(10,234)	–	–	–	–	–	(10,234)
Impairment loss for the year	673	–	2	56	676	–	1,407
Exchange realignment	(244)	(1,501)	(317)	(1,721)	(558)	(8)	(4,349)
At 31 December 2024 and 1 January 2025	**20,194**	**19,867**	**4,193**	**92,579**	**13,801**	**547**	**151,181**
Provided for the year	**4,584**	**1,163**	**666**	**2,782**	**4,605**	**–**	**13,800**
Disposal	**–**	**–**	**–**	**(452)**	**(1,903)**	**–**	**(2,355)**
Early termination of lease	**(5,356)**	**–**	**–**	**–**	**–**	**–**	**(5,356)**
Impairment loss for the year	**1,739**	**–**	**–**	**271**	**2,968**	**–**	**4,978**
Exchange realignment	**401**	**2,898**	**572**	**2,610**	**1,203**	**–**	**7,684**
At 31 December 2025	**21,562**	**23,928**	**5,431**	**97,790**	**20,674**	**547**	**169,932**
NET BOOK VALUE							
At 31 December 2025	**5,430**	**7,650**	**1,833**	**4,528**	**7,995**	**–**	**27,436**
At 31 December 2024	14,995	7,750	1,027	5,277	14,601	–	43,650

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Right-of-use assets	**Land and buildings leased for own use** HK$'000
Carrying amount as at 1 January 2024	22,112
Addition	950
Depreciation	(6,003)
Loss on early termination of lease	(846)
Impairment loss for the year	(673)
Exchange realignment	(545)
Carrying amount as at 31 December 2024 and 1 January 2025	**14,995**
Addition	**1,947**
Depreciation	**(4,584)**
Loss on early termination of lease	**(5,598)**
Impairment loss for the year	**(1,739)**
Exchange realignment	**409**
Carrying amount as at 31 December 2025	**5,430**

Property, plant and equipment with the net carrying amount of HK$20,194,000 (2024: HK$31,281,000) (before the current year impairment loss) is attributable to the cash-generating unit of smart watch manufacturing business ("**Gold Vantage CGU**") with which the goodwill is recognised. The recoverable amount of property, plant and equipment in Gold Vantage CGU is determined based on value-in-use calculations.

For the years ended 31 December 2025 and 2024, the recoverable amount of Gold Vantage CGU is determined by the management of the Group with reference to a valuation report issued by Asset Appraisal Limited, 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, 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 15.76% (2024: 17.40%). 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.

Based on the result of the assessment, an impairment loss of HK$4,978,000 (2024: HK$1,407,000) on the property, plant and equipment of Gold Vantage CGU would be recognised for the year ended 31 December 2025.

16. LIFE INSURANCE POLICY

In prior years, the Group entered into a life insurance policy with an insurance company to insure an executive director with the insured sum of USD200,000 (equivalent to HK$1,556,000). As at 31 December 2025, the fair value of the life insurance policy is USD196,000 (equivalent to HK$1,525,000) (2024: USD182,500 (equivalent to HK$1,417,000)). The fair value gain on life insurance of USD13,400 (equivalent to HK$104,000) (2024: USD2,500 (equivalent to HK$19,000)) was recognised in the profit or loss during the year ended 31 December 2025.

Under these policies, the beneficiary and policy holder is Ernest Borel (Far East) Company Limited. The Group is required to pay an upfront payment for the policy. The Group may request a partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policy at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged (the "**Cash Value**"). If such withdrawal is made at any time during the policy year, as appropriates, a pre-determined specified surrender charge would be imposed on the Group.

At the inception dates, the upfront payment is separated into deposit placed and prepayment of life insurance premium. The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit placed is carried at amortised cost using the effective interest method. The insurance company will pay the Group guaranteed interest rates plus a premium determined by the insurance company during the tenures of the policy. The effective interest rate on initial recognition was determined by discounting the estimated future cash receipts through the expected life of the insurance policy, excluding the financial effect of surrender charge.

The carrying amount of the life insurance policy as at 31 December 2025 and 2024 approximated the Cash Value of the insurance policy and the expected life of the insurance policy remained unchanged from the initial recognition. The entire balance of the life insurance policies is denominated in United States Dollar ("**USD**"), being a currency other than the functional currency of the relevant group entity.

17. INTANGIBLE ASSETS

	Computer software HK$'000	Technical knowhow HK$'000	Customer relationship HK$'000	Total HK$'000
COST				
As at 1 January 2024	946	44,958	21,803	67,707
Addition	457	–	–	457
Disposal	–	(9,240)	–	(9,240)
Exchange realignment	(38)	(1,227)	(677)	(1,942)
As at 31 December 2024 and 1 January 2025	**1,365**	**34,491**	**21,126**	**56,982**
Exchange realignment	**63**	**1,580**	**968**	**2,611**
As at 31 December 2025	**1,428**	**36,071**	**22,094**	**59,593**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS				
As at 1 January 2024	66	3,153	5,097	8,316
Charge for the year	122	4,438	7,175	11,735
Disposal	–	(1,148)	–	(1,148)
Impairment loss for the year	–	1,308	424	1,732
Exchange realignment	(4)	(159)	(291)	(454)
As at 31 December 2024 and 1 January 2025	**184**	**7,592**	**12,405**	**20,181**
Charge for the year	**142**	**3,314**	**6,866**	**10,322**
Impairment loss for the year	**–**	**6,346**	**538**	**6,884**
Exchange realignment	**12**	**570**	**739**	**1,321**
As at 31 December 2025	**338**	**17,822**	**20,548**	**38,708**
CARRYING AMOUNTS				
As at 31 December 2025	**1,090**	**18,249**	**1,546**	**20,885**
As at 31 December 2024	1,181	26,899	8,721	36,801

Intangible assets with the net carrying amount of HK$27,769,000 (2024: HK$38,533,000) (before the current year impairment loss) is attributable to Gold Vantage CGU with which the goodwill is recognised. Based on the result of the assessment, an impairment loss of HK$6,884,000 (2024: HK$1,732,000) on the intangible assets of Gold Vantage CGU would be recognised for the year ended 31 December 2025. Details of the impairment assessment are set out in note 15 to the consolidated financial statements.

The disposal of intangible assets for the year ended 31 December 2024 was a major non-cash transaction. The details were set out in note 33(b) to the consolidated financial statements.

18. GOODWILL

	HK$'000
COST	
As at 1 January 2024	41,323
Exchange realignment	(1,008)
As at 31 December 2024 and 1 January 2025	**40,315**
Exchange realignment	**1,558**
As at 31 December 2025	**41,873**
ACCUMULATED IMPAIRMENT LOSSES	
As at 1 January 2024	13,389
Impairment loss for the year	26,926
As at 31 December 2024 and 1 January 2025	**40,315**
Exchange realignment	**1,558**
As at 31 December 2025	**41,873**
CARRYING AMOUNTS	
As at 31 December 2025	**–**
As at 31 December 2024	–

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 prior years, and being the smart watch manufacturing segment.

Full impairment loss of HK$26,926,000 had been recognised for the year ended 31 December 2024. Details of the impairment assessment are set out in note 15 to the consolidated financial statements.

19. INVENTORIES

	2025 **HK$'000**	2024 HK$'000
Raw materials	**48,739**	53,555
Work-in-progress	**128,167**	107,116
Finished goods	**108,680**	127,452
	285,586	288,123

20. TRADE AND OTHER RECEIVABLES

	2025 HK$'000	2024 HK$'000
Non-current:		
Rental deposits	**946**	991
Deposit paid for property, plant and equipment	**20,360**	–
	21,306	991
Current:		
Trade receivables, gross	**117,613**	152,023
Less: impairment loss allowance	**(15,153)**	(17,058)
Trade receivables, net	**102,460**	134,965
Other receivables	**8,851**	3,029
Other tax recoverable	**819**	289
Prepayments	**999**	2,473
Deposits	**952**	1,777
	11,621	7,568
Total current trade and other receivables	**114,081**	142,533
Total trade and other receivables	**135,387**	143,524

Included in the trade and other receivables, amounts of HK$15,614,000 (2024: HK$27,613,000) are due from the fellow subsidiaries of the Company.

The Group allows a credit period ranging from 30 to 360 days (2024: 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:

	2025 HK$'000	2024 HK$'000
0-90 days	**21,621**	36,911
91-180 days	**7,345**	12,594
181-270 days	**3,028**	6,593
Over 270 days	**70,466**	78,867
	102,460	134,965

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.

20. TRADE AND OTHER RECEIVABLES *(Continued)*

Movement in the impairment loss allowance for trade receivables

	2025 HK$'000	2024 HK$'000
Balance at beginning of the year	17,058	14,115
Provision for impairment losses allowance recognised	1,180	3,698
Reversal of impairment losses allowance recognised	(3,858)	(233)
Exchange realignment	773	(522)
Balance at the end of the year	15,153	17,058

Included in the impairment loss allowance as at 31 December 2025 are individually impaired trade receivables with an aggregate credit impaired balance of HK$9,589,000 (2024: HK$12,166,000) which has been fully impaired and expected credit loss allowance assessed on collective basis of HK$5,564,000 (2024: HK$4,892,000). The Group does not hold any collateral over these balances.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 HK$'000	2024 HK$'000
Financial assets at fair value through profit or loss		
– 2024 profit compensation *(note i)*	–	24,123
– 2025 profit compensation *(note ii)*	35,810	595
	35,810	24,718

For the years ended 31 December 2025 and 2024, the Group's financial assets at fair value through profit or loss were resulted from contractual term of its acquisition of equity interest in Gold Vantage Industrial Limited ("**Gold Vantage**") and its subsidiaries (together referred to as "**Gold Vantage Group**").

Notes:

(i) 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 as guaranteed in the acquisition agreement. 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 value as at 31 December 2024. The fair value loss of HK$192,000 and fair value gain of HK$50,715,000, respectively has been recognised in the other gains and losses for the years ended 31 December 2025 and 2024.

(ii) The directors of the Company estimated that the audited profit after tax of Gold Vantage Group for the year ended 31 December 2025 would be less than HK$30,000,000 as guaranteed in the acquisition agreement. The balance represented the fair value of the financial assets in relation to 2025 profit compensation and the directors have engaged an independent professional valuer to assist them to estimate the fair values as at 31 December 2025 and 2024. The fair value gain of HK$35,406,000 and HK$18,908,000, respectively has been recognised in the other gains and losses for the years ended 31 December 2025 and 2024.

22. CASH AND CASH EQUIVALENTS

Bank balances carried market interest rates in the range of 0.05% to 0.15% (2024: 0.05% to 0.1%) per annum for the year ended 31 December 2025.

Included in bank balances and cash of the Group are the amount of approximately HK$2,956,000 (2024: HK$1,798,000) denominated in RMB which are placed with the banks in the PRC. RMB is not freely convertible into other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB into foreign currencies through the banks authorised to conduct foreign exchange business.

23. TRADE AND OTHER PAYABLES

	2025 HK$'000	2024 HK$'000
Trade payables	27,183	49,225
Other payables	3,812	4,885
Accruals	9,688	13,146
Contract liabilities arising from sales of goods	500	532
	41,183	67,788

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

	2025 HK$'000	2024 HK$'000
1-30 days	4,109	18,285
31-60 days	3,718	1,069
Over 60 days	19,356	29,871
	27,183	49,225

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

Movement of contract liabilities

	2025 HK$'000	2024 HK$'000
Balance as at 1 January	532	274
Decrease in contract liabilities as a result of recognising revenue during the year	(532)	(274)
Increase in contract liabilities as receipt in advance	500	532
Balance as at 31 December	500	532

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

As at 31 December 2025, amounts due to related parties of (i) RMB14,079,000 (equivalent to HK$15,655,000) (2024: RMB18,642,000 (equivalent to HK$19,876,000)) and HK$10,000,000 (2024: Nil) were unsecured, interest bearing at 3.5% (2024: 3.85%) and 7% (2024: Nil) per annum respectively and repayable on demand; and (ii) RMB2,072,000 (equivalent to HK$2,304,000) and HK$4,762,000 (2024: RMB1,656,000 (equivalent to HK$1,761,000) and HK$501,000) were unsecured, interest free and repayable on demand.

As at 31 December 2025, amounts due to fellow subsidiaries of aggregate amount of RMB280,578,000 (equivalent to HK$311,975,000) (2024: RMB259,866,000 (equivalent to HK$276,289,000) and HK$10,515,000) were unsecured, interest bearing at ranging from 0% to 4% (2024: 0% to 6%) per annum and repayable within one year.

As at 31 December 2025, amount due to a director of CHF40,000 (equivalent to HK$393,000) and HK$520,000 (2024: Nil) were unsecured, interest free and repayable on demand.

As at 31 December 2025, amount due to an ultimate holding company of principal amount of (i) HK$6,000,000 (2024: Nil) was unsecured, interest bearing at 7% annum and repayable on demand; and (ii) HK$8,534,000 (2024: HK$7,480,000) was unsecured, interest free and repayable within one year.

25. RETIREMENT BENEFIT SCHEME

Hong Kong

Defined contribution plan

The Group operates a Mandatory Provident Fund Scheme ("**the MPF Scheme**") for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Authority. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Contributions are made based on a percentage of the participating employees' relevant income from the Group and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

The Group participates in defined contribution schemes which are registered under the Mandatory Provident Fund Scheme ("**MPF Scheme**") established under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) ("**MPFSO**") for the benefits of its employees in Hong Kong. The assets of the schemes are held, separately from those of the Group, in funds under the control of independent trustees. In accordance with the statutory limits prescribed by the MPFSO, for each employee under the MPF Scheme, the Group contributes 5% (2024: 5%) of the relevant income to the MPF Scheme, subject to a cap of monthly contribution at HK$1,500 per employee (2024: HK$1,500), which contribution is matched by the employee. Contributions to the MPF Scheme for the Group's employees are fully and immediately vested in the employees once the contributions are made.

There were no contributions forfeited by the Group on behalf of its employees who leave the MPF Scheme (as the case may be) for the year ended 31 December 2025 (2024: Nil).

25. RETIREMENT BENEFIT SCHEME *(Continued)*

People's Republic of China

Defined contribution plan

According to the relevant laws and regulation in the PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of its employees to the state-managed retirement benefit scheme. The only obligations of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

Pursuant to the relevant laws and regulations in the PRC, the Group has joined defined contribution retirement schemes for the employees in the PRC arranged by local government labour and security authorities ("**PRC Retirement Schemes**"). The Group makes contributions to the PRC Retirement Schemes at the applicable rates based on the amounts stipulated by the local government authorities. Upon retirement, the local government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees.

There were no contributions forfeited by the Group on behalf of its employees who leave the PRC Retirement Schemes (as the case may be).

Switzerland

Defined benefit scheme

The subsidiary in Switzerland contributes to a mandatory post-employment defined benefit plan, funded by contributions from both employees and employer (the "**Defined Benefit Scheme**"). The plan is operated by an insurance company in the form of a multi-employer scheme (Swiss Life Collective BVG Foundation).

The Defined Benefit Scheme exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit obligations is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Due to the long-term nature of the plan liabilities, the board of the pension fund may consider it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit obligations is calculated by reference to the best estimate of the mortality of Defined Benefit Scheme participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit obligations is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The valuations of the plan assets and the present value of the defined benefit obligations were estimated by the directors with reference to the actuarial valuation carried out at 31 December 2025 and 2024 by Swiss Life Pension Services AG, an independent qualified professional actuary and a member of the Swiss Associate of Actuaries in Switzerland. The present value of the defined benefit obligations and the related current service cost were measured using the projected unit credit method.

25. RETIREMENT BENEFIT SCHEME *(Continued)*

Switzerland *(Continued)*

Defined benefit scheme *(Continued)*

The principal actuarial assumptions used at the end of the reporting period are as follows:

	2025	2024
Price inflation	1.0%	1.0%
Discount rate	1.35%	1.0%
Long term rate of return on plan assets	1.25%	1.0%
Expected rate of salary increase	1.0%	1.0%
Average longevity at retirement age for current pensioners and employees	N/A	39.52

The actuarial valuation showed that the market value of plan assets and the present value of defined benefit obligation were HK$2,876,000 (2024: HK$4,583,000) and HK$3,154,000 (2024: HK$5,346,000), respectively at 31 December 2025. This represented the level of funding is 91% (2024: 86%) as at 31 December 2025. The shortfall of HK$278,000 (2024: HK$763,000) is to be cleared over the estimated remaining service period of 9.7 years (2024: 9.7 years).

The overall expected rate of return is a weighted average of the expected returns of the various categories of Defined Benefit Scheme assets held.

Amounts recognised in consolidated statement of profit or loss and other comprehensive income in respect of the Defined Benefit Scheme are as follows:

	2025 HK$'000	2024 HK$'000
Service costs:		
Current service cost	(35)	(163)
Past service cost	582	730
Net interest expense	(2)	(16)
Components of defined benefit cost recognised in profit or loss	545	551
Remeasurement on the net defined benefit obligations:		
Return on plan assets (excluding amounts included in net interest expense)	(301)	(160)
Actuarial gains arising from experience adjustments	191	28
Deferred tax arising on remeasurement of the net defined benefit liability *(note 27)*	(17)	(61)
Components of defined benefit cost recognised in other comprehensive income	(127)	(193)
Total amounts recognised in consolidated statement of profit or loss and other comprehensive income	418	358

25. RETIREMENT BENEFIT SCHEME *(Continued)*

Switzerland *(Continued)*

Defined benefit scheme *(Continued)*

The expense is included as employee benefits expense.

The remeasurement of net defined benefit obligations is included in other comprehensive income.

The amount included in the consolidated statements of financial position arising from the Group's obligations in respect of the Scheme is as follows:

	2025 HK$'000	2024 HK$'000
Present value of defined benefit obligations	(3,154)	(5,346)
Fair value of plan assets	2,876	4,583
Net liability arising from defined benefit obligations	(278)	(763)

Movements of the present value of defined benefit obligations were as follows:

	2025 HK$'000	2024 HK$'000
Opening present value of defined benefit obligations	5,346	9,193
Current service cost	35	163
Past service cost	(582)	(730)
Interest cost	52	101
Remeasurement gains:		
Actuarial gains arising from experience adjustments	(191)	(28)
Benefits paid	(2,077)	(3,097)
Contribution paid by plan participants	28	157
Exchange differences on foreign plans	543	(413)
Closing present value of defined benefit obligations	3,154	5,346

25. RETIREMENT BENEFIT SCHEME *(Continued)*

Switzerland *(Continued)*

Defined benefit scheme *(Continued)*

Movements of the fair value of plan assets were as follows:

	2025 HK$'000	2024 HK$'000
Opening fair value of plan assets	4,583	7,330
Interest income	50	85
Remeasurement gains:		
Return on plan assets (excluding amounts included in net interest expense)	(301)	415
Contributions from employers	28	157
Benefits paid	(2,077)	(3,097)
Contributions paid by plan participants	28	157
Exchange differences on foreign plans	565	(464)
Closing fair value of plan assets	2,876	4,583

The fair value of the plan assets at the end of the reporting period for each category are as follows:

	2025 HK$'000	2024 HK$'000
Time deposits, fixed interest and cash and cash equivalents	1,910	3,045
Real estate	470	750
Mortgages and other claims	222	353
Others	274	435
	2,876	4,583

The fair values of real estate, mortgages and other claims, and others are not based on quoted market price in active markets.

Significant actuarial assumptions for the determination of the defined obligations are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 0.5% higher/(lower), the defined benefit obligations would decrease by approximately HK$329,000 (2024: HK$499,000) (increase by approximately HK$391,000 (2024: HK$588,000)).
- If the life expectancy increases/(decreases) by 1 year, the defined benefit obligations would increase by approximately HK$50,000 (2024: HK$84,000) (decrease by approximately HK$52,000 (2024: HK$89,000)).

25. RETIREMENT BENEFIT SCHEME *(Continued)*

Switzerland *(Continued)*

Defined benefit scheme *(Continued)*

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations liability recognised in the consolidated statements of financial position.

The Group's subsidiary in Switzerland funded the cost of the entitlements of employees on a yearly basis. Employees pay approximately 8% of pensionable salary. The residual contribution (including back service payments) is paid by the subsidiary of the Group. The funding requirements are based on the local actuarial measurement framework. In this framework, the discount rate is set on a risk free rate. Furthermore, premiums are determined based on current salary level. Additional liabilities stemming from past service due to salary increases (back-service liabilities) are paid immediately to the Defined Benefit Scheme. Apart from paying the costs of the entitlements, the Group's subsidiary is not liable to pay additional contributions in case the Defined Benefit Scheme does not hold sufficient assets. In that case, the Defined Benefit Scheme would take other measures to restore its solvency, such as a reduction of the entitlements of the plan members.

The average duration of the defined benefit obligation at 31 December 2025 is expected to be 22.5 years (2024: 20.4 years).

The Group expects to make a contribution of HK$94,000 (2024: HK$168,000) to the defined benefit plan during the next financial year ending 31 December 2026.

The following are the expected benefits to be paid by the defined benefit plan in future years:

	2025 HK$'000	2024 HK$'000
Within the next 12 months (next annual reporting period)	94	168
Between 2 to 5 years	340	611
Between 6 to 10 years	425	1,523
	859	2,302

26. BANK AND OTHER BORROWINGS

	2025 HK$'000	2024 HK$'000
Bank borrowings *(note a)*	**10,147**	2,505
Other borrowings *(note b)*	**18,694**	19,202
	28,841	21,707
Less: Current portion	**(27,616)**	(19,919)
Non-current portion	**1,225**	1,788

(a) Bank borrowings

	2025 HK$'000	2024 HK$'000
Bank loans, secured	**10,147**	2,505
Less: Current portion	**(8,922)**	(717)
Non-current portion	**1,225**	1,788

	2025 HK$'000	2024 HK$'000
The borrowing repayable based on scheduled repayment date set out in the loan agreements, are as follows:		
Within one year or on demand	**8,922**	717
More than one year, but not exceeding five years	**1,225**	1,788
	10,147	2,505

	2025 HK$'000	2024 HK$'000
The carrying amounts of bank borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year or on demand	**8,103**	–

26. BANK AND OTHER BORROWINGS *(Continued)*

(a) Bank borrowings *(Continued)*

The above mentioned borrowings are charged at fixed rates ranging from 1.5% to 3.5% (2024: 1.5%) per annum.

At the reporting date, the Group's borrowings were secured by:

(i) corporate guarantee provided by Fair Future Industrial Limited ("**Fair Future**"), a related company of the Company as at 31 December 2025;

(ii) a standby letter of credit with the correspondent facility amount as at 31 December 2025; and

(iii) guarantee provided by the Government of Switzerland as at 31 December 2025 and 2024.

(b) Other borrowings

As at 31 December 2025, the loan from Mr. Shang Jianguang, an ex-director of the Company of aggregate amount of HK$16,952,000 (2024: HK$15,905,000) was unsecured, interest bearing at 7% (2024: 6%) per annum and repayable within one year.

As at 31 December 2025, the other borrowings from certain third parties, amount of RMB700,000 (equivalent to HK$742,000) and HK$1,000,000 (2024: RMB700,000 (equivalent to HK$744,000) and HK$1,000,000) were unsecured, interest bearing at range from 0% to 6% (2024: 0% to 6%) per annum and repayable within one year and amount of nil (2024: RMB1,461,000 (equivalent to HK$1,553,000) were unsecured, interest-free per annum and repayable on demand.

27. DEFERRED TAXATION

The following are the major deferred tax (liabilities)/assets recognised by the Group and movements thereon during the current and prior years:

	Tax losses HK$'000	Fair value adjustment arising from business combination HK$'000	Accelerated tax depreciation HK$'000	Defined benefit pension scheme HK$'000	Others HK$'000	Total HK$'000
At 1 January 2024	7,362	(14,900)	(5,586)	–	(9,888)	(23,012)
Credited/(debited) to profit or loss *(note 11)*	(2,641)	3,609	(511)	–	(106)	351
Debited to actuarial gain and loss reserve *(note 25)*	–	–	–	(61)	–	(61)
Exchange realignment	(181)	396	344	2	(122)	439
At 31 December 2024 and 1 January 2025	4,540	(10,895)	(5,753)	(59)	(10,116)	(22,283)
Credited/(debited) to profit or loss *(note 11)*	(954)	6,990	(65)	–	–	5,971
Debited to actuarial gain and loss reserve *(note 25)*	–	–	–	(17)	–	(17)
Exchange realignment	187	(1,316)	(212)	(9)	(61)	(1,411)
At 31 December 2025	3,773	(5,221)	(6,030)	(85)	(10,177)	(17,740)

Note: Others represent the temporary difference arising from the special deduction made on the inventories and accruals held by subsidiaries.

27. DEFERRED TAXATION *(Continued)*

The following is the analysis of the deferred tax balances in the consolidated statements of financial position for financial reporting purposes:

	2025	2024
	HK$'000	HK$'000
Deferred tax assets	**3,773**	4,540
Deferred tax liabilities	**(21,513)**	(26,823)
	(17,740)	(22,283)

At the end of the reporting period, no deferred tax asset has been recognised in respect of such deductible temporary differences of HK$1,500,000 (2024: HK$2,650,000) which were associated with unrealised profit generated on intra-group transactions due to unpredictability of future profit streams.

At the end of the reporting period, the Group has estimated unutilised tax losses of HK$576,618,000 (2024: HK$563,492,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these estimated unutilised tax losses due to unpredictability of future profit streams. Included in estimated unrecognised tax losses are losses of HK$76,340,000 (2024: HK$63,214,000) that will expire during the period from 2026 to 2030 (2024: 2025 to 2029). Other estimated unutilised tax losses may be carried forward indefinitely.

28. CAPITAL AND RESERVES

(i) Share capital

	Number of ordinary shares	**Par value**	**Share capital**
	'000	HK$	HK$'000
Authorised:			
Balance at 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	10,000,000	0.01	100,000
Issued and fully paid:			
Balance at 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	360,258	0.01	3,603

All shares issued rank pari passu.

28. CAPITAL AND RESERVES *(Continued)*

(ii) Reserves

The Group

Details of the movements of the Group's reserves are set out in the consolidated statements of changes in equity.

The Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2024	212,739	(105,570)	107,169
Total comprehensive income for the year	–	(3,260)	(3,260)
At 31 December 2024 and 1 January 2025	**212,739**	**(108,830)**	**103,909**
Total comprehensive income for the year	**–**	**(50,427)**	**(50,427)**
At 31 December 2025	**212,739**	**(159,257)**	**53,482**

29. LEASE LIABILITIES

The amount included in the consolidated statements of financial position in respect of the carrying amounts of lease liabilities and the movements during the year is as follows:

	Land and buildings leased for own use HK$'000
As at 1 January 2024	23,068
Addition	950
Interest expense	775
Early termination of lease	(1,365)
Lease payments	(6,489)
Exchange realignment	(571)
As at 31 December 2024 and 1 January 2025	**16,368**
Addition	**1,947**
Interest expense	**617**
Early termination of lease	**(6,170)**
Lease payments	**(5,144)**
Exchange realignment	**499**
As at 31 December 2025	**8,117**

29. LEASE LIABILITIES *(Continued)*

Future lease payments are due as follows:

	2025 HK$'000	2024 HK$'000
Minimum lease payment due		
– Within one year	**3,970**	5,100
– In the second to fifth years, inclusive	**4,567**	12,464
	8,537	17,564
Less: future interest expenses	**(420)**	(1,196)
Present value of lease liabilities	**8,117**	16,368

The present value of future lease payments are analysed as:

	2025 HK$'000	2024 HK$'000
Current liabilities	**3,678**	4,527
Non-current liabilities	**4,439**	11,841
	8,117	16,368

	2025 HK$'000	2024 HK$'000
Short-term leases expenses	**728**	997
Aggregate undiscounted commitments for short term leases	**198**	334

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2025 HK$'000	2024 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Investment in subsidiaries	*35*	32,641	32,641
Amount due from subsidiaries		39,053	41,103
		71,694	73,744
CURRENT ASSETS			
Other receivables		72	9
Amount due from subsidiaries		45,356	77,187
Bank balances and cash		258	216
		45,686	77,412
CURRENT LIABILITIES			
Other payable and accruals		1,020	1,788
Amount due to related companies		34,000	23,570
Amount due to fellow subsidiaries		–	500
Amount due to a subsidiary		1	1
Amount due to an ultimate holding company		8,322	1,880
Other borrowings		16,952	15,905
		60,295	43,644
NET CURRENT (LIABILITIES)/ASSETS		(14,609)	33,768
TOTAL ASSETS LESS CURRENT LIABILITIES/ NET ASSETS		57,085	107,512
EQUITY			
Share capital	*28*	3,603	3,603
Reserves	*28*	53,482	103,909
TOTAL EQUITY		57,085	107,512

Approved and authorised for issued by the board of directors on 30 March 2026 and signed on its behalf by:

Teguh Halim	**Kong Le**
Director	*Director*

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged from the prior year.

The capital structure of the Group consists of debt, which includes amounts due to related parties, fellow subsidiaries, ultimate holding company, a director and bank and other borrowings as disclosed in notes 24 and 26 respectively, net of cash and cash equivalents, and equity comprising issued share capital and reserves.

The directors of the Group review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with capital, and will balance its overall capital structure through payments of dividends, new share issues as well as issue of new debts or redemption of the existing debts.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2025 **HK$'000**	2024 HK$'000
Financial assets		
Amortised cost	**141,951**	149,283
Financial assets at fair value through profit or loss	**37,335**	26,135
	179,286	175,418
Financial liabilities		
Amortised cost	**437,784**	421,753
	437,784	421,753

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposit, bank balances and cash, trade and other payables, bank and other borrowings, amounts due to related parties, fellow subsidiaries, a director and ultimate holding company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk, liquidity risk and fair value. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk

(i) Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy, but the management will consider hedging significant foreign currency exposure as necessary. The Group manages the foreign currency risk by closely monitoring the movement of the foreign currency exchange rates.

As at 31 December 2025 and 2024, except for the followings, the Group does not have significant financial assets or financial liabilities denominated in foreign currencies other than the functional currencies of the respective group companies. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	Liabilities		Assets	
	2025	2024	**2025**	2024
	HK$'000	HK$'000	**HK$'000**	HK$'000
Third parties				
RMB	**185**	42	**–**	–
Intra-group balances				
RMB	**10,390**	9,093	**–**	–
CHF	**37,399**	38,399	**317**	315

Sensitivity analysis
As at 31 December 2025 and 2024, financial assets and liabilities denominated in USD belongs to group companies of which their functional currency is HK$. As HK$ is pegged to USD, the Group consider the risk arising from transactions denominated in USD is insignificant. The Group is mainly exposed to the foreign currency risk of RMB against the functional currency of each group entity.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Foreign currency risk (Continued)

Sensitivity analysis *(Continued)*

The Group is also exposed to currency risk concerning intra-group current accounts of trade nature, which are denominated in currencies other than the functional currency of each group entity.

The following table indicates the approximate change in the Group's loss for the year in response to 5% (2024: 5%) increase or decrease in the functional currency of each group entity against RMB and CHF respectively to which the Group has significant exposure at the end of the reporting period. A sensitivity rate of 5% (2024: 5%) on RMB and 10% (2024: 10%) on CHF represents management's assessment of the reasonably possible change in foreign currency exchange rates.

	RMB impact		CHF impact	
	2025	2024	**2025**	2024
	(Decrease)/ increase in loss	(Increase)/ decrease in loss	**(Decrease)/ increase in loss**	(Increase)/ decrease in loss
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase in foreign exchange rate	**(529)**	(457)	**(3,740)**	(3,808)
Decrease in foreign exchange rate	**529**	457	**3,740**	3,808

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan from an ultimate holding company, fellow subsidiaries, a director and related parties for both the years ended 31 December 2025 and 2024 (see note 24 for details).

The Group is also exposed to cash flow interest rate risk due to fluctuations in the prevailing market interest rate on bank balances and variable-rate bank borrowings. The Group currently does not use any derivative contract to hedge its exposure to interest rate risk. However, the management of the Group, will consider hedging significant interest rate exposure should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings and prevailing market interest rate on bank balances for the years ended 31 December 2025 and 2024. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period existed for the whole year. A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

For the year ended 31 December 2025, if interest rates had been 100 basis point higher/lower and all other variables were held constant, the Group's loss would increase/(decrease) by HK$155,000.

For the year ended 31 December 2024, if interest rates had been 100 basis point higher/lower and all other variables were held constant, the Group's loss would increase/(decrease) by HK$88,000.

Credit risk

As at 31 December 2025 except for the 2025 profit compensation (Note 21), the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade and other receivables and bank balances. Management has a credit policy in place and exposure to credit risk are monitored on an ongoing basis.

For the trade receivables, the Group carries out regular review on these balances and follow-up action on any overdue amounts to minimise exposures to credit risk. The Group measures the lifetime expected credit losses based on the outstanding balances and historical credit loss experience adjusted to reflect the Group's view of current and forecast economic conditions that may affect the ability of the debtors to settle receivables.

For other receivables, the Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition.

In determining expected credit loss, management considers available reasonable and supportive forward looking information. Especially the following indicators are incorporated:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the counterparty
- significant expected changes in the performance and behaviour of the counterparty, including changes in the payment status of counterparties in the group and changes in the operating results of the counterparty

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

A default on a financial asset is when the counterparty fails to make contractual payments when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery.

Included in the impairment loss allowance for trade receivables are individually impaired trade receivables with an aggregate credit-impaired balance of HK$9,589,000 (2024: HK$12,166,000) which has been fully impaired and expected credit loss allowance of HK$5,564,000 as at 31 December 2025 (2024: HK$4,892,000). The group does not hold any collateral over these balances.

The loss allowance as at 31 December 2025 was determined for trade receivables (after excluding credit-impaired balance) as follows:

	Expected credit loss rate – weighted average (%)	Gross carrying amount (after excluding credit-impaired balance) HK$'000	Loss allowance HK$'000	Net amount HK$'000
Not yet past due	3.31%	82,920	2,745	80,175
Overdue within 90 days	0.20%	7,026	14	7,012
Overdue 91 to 180 days	2.37%	4,472	106	4,366
Overdue over 180 days	19.84%	13,606	2,699	10,907
		108,024	5,564	102,460

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The loss allowance as at 31 December 2024 was determined for trade receivables (after excluding credit-impaired balance) as follows:

	Expected credit loss rate – weighted average (%)	Gross carrying amount (after excluding credit-impaired balance) HK$'000	Loss allowance HK$'000	Net amount HK$'000
Not yet past due	1.88%	96,190	1,808	94,382
Overdue within 90 days	1.22%	14,079	172	13,907
Overdue 91 to 180 days	3.87%	4,752	184	4,568
Overdue over 180 days	10.98%	24,836	2,728	22,108
		139,857	4,892	134,965

For the other receivables, balances mainly comprise of rental deposits. Management considers rental deposits do not have significant increase in credit risk since initial recognition, and the deposits are refundable from landlords upon end of lease term or recoverable by the Group through using the leased property. The management performed assessment over the expected credit loss for the other receivables and considered the expected credit loss for the other receivables is immaterial.

The credit risk on bank balances is limited because the majority of the counterparties are banks with good reputation. No impairment had been provided under 12-month expected credit loss assessment.

For the year ended 31 December 2025, the Group has concentration of credit risk as 49.3% and 14.1% (2024: 53.1% and 22.0%) of the total trade receivables are due from the Group's five largest and largest trade customers.

Other than those described above, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

The management of the Group has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The management manages liquidity risk by closely monitoring the Group's cash flow position.

The liquidity of the Group is primarily dependent on the undertakings from (i) an ultimate holding company to provide adequate continuing financial support to the Group and (ii) fellow subsidiaries not to demand repayment of debts due to them until such time when repayment will not affect the Group's ability to repay other creditors in the normal course of business.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK$'000	3 months to 1 year HK$'000	1 year to 2 years HK$'000	2 years to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2025							
Non-derivative financial liabilities							
Trade and other payables	–	40,683	–	–	–	40,683	40,683
Other borrowings	3.49	19,369	–	–	–	19,369	18,694
Bank borrowing	3.5	8,394	–	–	–	8,394	8,103
Bank borrowing guaranteed by Swiss Government	1.5	415	415	415	832	2,077	2,044
Amount due to an ultimate holding company	–	14,534	–	–	–	14,534	14,534
Amounts due to fellow subsidiaries	0.33	313,007	–	–	–	313,007	311,975
Amounts due to related parties	0.27	32,810	–	–	–	32,810	32,721
Amount due to a director	–	913	–	–	–	913	913
Lease liabilities	7	1,178	2,792	3,345	1,222	8,537	8,117
		431,303	3,207	3,760	2,054	440,324	437,784

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2024							
Non-derivative financial liabilities							
Trade and other payables	–	67,256	–	–	–	67,256	67,256
Other borrowings	3.67	19,906	–	–	–	19,906	19,202
Bank borrowing guaranteed by Swiss Government	1.5	364	364	727	1,088	2,543	2,505
Amounts due to ultimate holding company	–	7,480	–	–	–	7,480	7,480
Amounts due to fellow subsidiaries	0.72	288,869	–	–	–	288,869	286,804
Amounts due to related parties	0.23	22,189	–	–	–	22,189	22,138
Lease liabilities	7	1,282	3,819	9,909	2,554	17,564	16,368
		407,346	4,183	10,636	3,642	425,807	421,753

Fair value measurements

The fair values of the Group's financial assets are determined as follows:

- the fair value of unlisted investment in insurance policy is determined based on amount value as stated in cash surrender value statement issued by insurer.

- the fair value of financial assets at fair value through profit or loss as at 31 December 2025 is determined by the directors of the Company with reference to actual result of Gold Vantage Group for the year ended 31 December 2025.

- the fair value of financial asset at fair value through profit or loss as at 31 December 2024 is determined by the directors of the Company with reference to (i) actual result of Gold Vantage Group for the year ended 31 December 2024; and (ii) the forecast result of Gold Vantage Group for the year ending 31 December 2025.

IFRS 13 introduced a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Fair value measurements *(Continued)*

The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

– Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;

– Level 2: observable direct and indirect inputs other than quoted prices included within Level 1; and

– Level 3: unobservable inputs are inputs for which market data are not available.

The financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2025				
Assets				
Life insurance policy	–	1,525	–	1,525
Financial assets at fair value through profit or loss	–	–	35,810	35,810
	–	1,525	35,810	37,335

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2024				
Assets				
Life insurance policy	–	1,417	–	1,417
Financial assets at fair value through profit or loss	–	–	24,718	24,718
	–	1,417	24,718	26,135

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Fair value measurements *(Continued)*

There have been no significant transfers between Levels 1 and 2 in the reporting period.

The level in the fair value hierarchy within which the financial assets are categorised in its entirely is based on the lowest level of input that is significant to the fair value measurement.

The fair value of financial assets at fair value through profit or loss is Level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balances are provided as below.

	2025 **HK$'000**	2024 HK$'000
Opening balance (Level 3 recurring fair value)	**24,718**	32,410
Settlement during the year	**(24,122)**	(32,410)
Fair value gain during the year	**35,214**	24,718
Closing balance (Level 3 recurring fair value)	**35,810**	24,718

One of the key significant unobservable inputs to determine the fair value of financial assets at fair value through profit or loss is (i) the actual result of Gold Vantage Group for the years ended 31 December 2025 or 2024; or (ii) the forecast result of Gold Vantage Group for the year ending 31 December 2025.

A better actual financial result of Gold Vantage Group for the years ended 31 December 2025 or 2024; or a better forecast result of Gold Vantage Group for the year ending 31 December 2025 would result in a decrease in the fair value of financial assets at fair value through profit or loss, and vice versa.

33. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

	Lease liabilities HK$'000 *(note 29)*	Bank and other borrowings HK$'000 *(note 26)*	Amount due to a director HK$'000 *(note 24)*	Amounts due to related parties HK$'000 *(note 24)*	Amounts due to fellow subsidiaries HK$'000 *(note 24)*	Amount due to ultimate holding company HK$'000 *(note 24)*	Total HK$'000
Balance at 1 January 2024	23,068	33,239	2,424	13,555	266,599	3,400	342,285
Cash flows:							
– Repayment	–	(16,392)	(2,424)	(2,925)	(2,313)	(14,320)	(38,374)
– Advances/drawdown	–	4,500	–	17,192	28,505	18,400	68,597
– Interest paid	(775)	(1,593)	–	–	–	–	(2,368)
– Lease payments	(5,714)	–	–	–	–	–	(5,714)
Non-cash movements:							
– Addition	950	–	–	–	–	–	950
– Early termination of lease	(1,365)	–	–	–	–	–	(1,365)
– Transfer of intangible asset	–	–	–	(8,092)	–	–	(8,092)
– Settlement of profit compensation	–	–	–	(5,225)	(17,185)	–	(22,410)
– Interest expenses	775	2,097	–	579	6,523	–	9,974
– Exchange realignment	(571)	(144)	–	7,054	4,675	–	11,014
Balance at 31 December 2024 and 1 January 2025	16,368	21,707	–	22,138	286,804	7,480	354,497
Cash flows:							
– Repayment	–	(7,597)	–	(2,313)	–	(3,500)	(13,410)
– Advances/drawdown	–	13,082	913	22,011	18,864	10,454	65,324
– Interest paid	(617)	(645)	–	–	–	–	(1,262)
– Lease payments	(4,527)	–	–	–	–	–	(4,527)
Non-cash movements:							
– Addition	1,947	–	–	–	–	–	1,947
– Early termination of lease	(6,170)	–	–	–	–	–	(6,170)
– Settlement of profit compensation	–	–	–	(11,921)	(12,201)	–	(24,122)
– Interest expenses	617	1,692	–	700	6,986	100	10,095
– Exchange realignment	499	602	–	2,106	11,522	–	14,729
Balance at 31 December 2025	8,117	28,841	913	32,721	311,975	14,534	397,101

(b) Major Non-Cash Transaction

During the year ended 31 December 2024, the Group had disposed of certain intangible assets to Fair Future at the net book value of HK$8,092,000. The proceed from the disposal had been recorded in the current account with Fair Future accordingly.

There is no major non-cash transaction for the year ended 31 December 2025.

34. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

Name of related party	Relationship	Nature of transaction	2025 HK$'000	2024 HK$'000
Guangdong Juxin Watch Co., Limited (廣東鉅信鐘錶連鎖有限公司)	Fellow subsidiary	Sales of goods	751	975
Liaoning Hengjia Horologe Co., Limited (遼寧恆嘉鐘錶有限公司)	Fellow subsidiary	Sales of goods	66	–
Shenzhen Permanence Commerce Co., Limited (深圳市恆譽嘉時貿易有限公司)	Fellow subsidiary	Sales of goods	–	213
Corum Watches Malaysia SND BHD	Fellow subsidiary	Sales of goods	33	11
Corum Watches Singapore Pte. Ltd	Fellow subsidiary	Sales of goods	–	290
Corum (Hong Kong) Limited	Fellow subsidiary	Rental income	–	300
		Sales of goods	9	–
Jilin Dayou Watch Limited (吉林大有鐘錶有限公司)	Fellow subsidiary	Sales of goods	22	201
EBOHR Luxuries International Co., Limited (依波精品(深圳)有限公司)	Fellow subsidiary	Loan interest expenses	660	385
		Sales of goods	53	84
		Rental expenses	533	546
聖坦尼爾貿易(上海)有限公司	Fellow subsidiary	Sales of goods	3	–
帝福時鐘錶(深圳)有限公司	Fellow subsidiary	Purchase of goods	–	12
Montres Corum Sarl	Fellow subsidiary	Sales of goods	–	875
Montres Corum USA, LLC	Fellow subsidiary	Sales of goods	4	–
Zhuhai Rossini Watch Industry Limited (珠海羅西尼錶業有限公司)	Fellow subsidiary	Loan interest expenses	3,817	3,720
		Sales of goods	13	58
Actor Investments Limited (安達投資有限公司)	Fellow subsidiary	Loan interest expenses	839	754
PAMA Precision Manufacturing Ltd. (深圳市帕瑪精品製造有限公司)	Fellow subsidiary	Loan interest expenses	1,669	1,664
		Purchases of goods	108	55

* The sales and purchases of goods as disclosed in above table constituted continuing connected transactions under master product and service framework agreement entered between the Company and City Champ as mentioned on pages 61 to 63 of this annual report.

34. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related party	Relationship	Nature of transaction	2025 HK$'000	2024 HK$'000
深圳市冠城金熹錶業有限公司	Related company	Purchase of goods	380	51
		Sales of goods	1,635	2,108
Fair Future Industrial Limited (俊光實業有限公司)	Related company	Sales of goods	6,450	6,220
		Other income	–	5,795
		Purchase of goods	62	20
		Loan interest expenses	430	–
Bestimever Limited (卓豪有限公司)	Related company	Purchase of goods	785	188
		Sales of goods	2	–
寶科精密製品(深圳)有限公司	Related company	Loan interest expenses	114	298
豪度錶業(深圳)有限公司	Related company	Loan interest expenses	41	139
		Other income	–	2,296
		Sales of goods	138	–
欽州金泰精密五金製品有限公司	Related company	Loan interest expenses	116	94
		Sales of goods	1,995	343
		Purchase of goods	435	29
Citychamp Watch & Jewellery Group Limited	Ultimate holding company	Loan interest expenses	100	–
Ms Hon Ki Kuen	Spouse of the Director of the Company	Loan interest expenses	–	48

(i) The details for balances with related parties are disclosed in notes 20 and 24 to the consolidated financial statements.

(ii) The compensation to key management personnel comprises only the directors' emoluments, details of which are disclosed in note 12.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ registration/operation	Issued and fully paid share capital	Ownership interest held by the Company		Principal activities
			Directly	Indirectly	
Boillat Les Bois S.A.	Switzerland	CHF100,000	–	100%	Development, manufacturing and marketing of watches
Ernest Borel S.A.	Switzerland	CHF100,000	–	100%	Manufacturing and sales of watches
Ernest Borel (Far East) Company Limited	Hong Kong	HK$20,000	–	100%	Assembling and sales of watches
Ernest Borel (Guangzhou) Trading Co., Ltd. (依波路（廣州）貿易有限公司) *(note)*	PRC	RMB20,000,000	–	100%	Distribution and sales of watches
Ernest Borel (Hong Kong) Limited	Hong Kong	HK$1,000	–	100%	Investment holding
Ernest Borel Watch Company Limited	British Virgin Islands (“**BVI**”)	USD100	100%	–	Investment holding
Swissmount Holdings Limited	BVI	USD100	100%	–	Investment holding
Innovative Natural Resources Trading Company Limited	Hong Kong	HK$1	100%	–	Inactive
依波路（深圳）實業有限公司 *(note)*	PRC	RMB10,000,000	–	100%	Distribution and sales of watches
Gold Vantage Industrial Limited	Hong Kong	HK$10,000	–	100%	Investment holding
Gold Choice Investments Limited	Hong Kong	HK$100	–	100%	Investment holding
東莞冠熹精密五金製品有限公司 *(note)*	PRC	RMB55,000,000	–	100%	Design, development and manufacturing of stainless-steel alloy watches cases, smartwatches cases
Grands Precision Technology Company Limited	Vietnam	VND20,200,000,000	–	100%	Design, development and manufacturing of stainless-steel alloy watches cases, smartwatches cases
J Champion Company Limited	Hong Kong	HKD1,000	–	100%	Investment holding

Note: It is a wholly-owned foreign enterprise established in the PRC with limited liability.

36. SUBSEQUENT EVENT

Subsequent to the reporting date, regarding the settlement of 2025 profit compensation, 2025 profit compensation would be reduced by the outstanding share consideration of the third installment of 12,820,513 consideration shares and the outstanding cash consideration of the third installment of HK$13,333,333.4. For the remaining balances of 2025 profit compensation, the Company has agreed with Fair Future that the balance shall be set off by the current account with Fair Future and the Group’s fellow subsidiaries.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and total equity of the Group as at 31 December 2025 and for the last four financial years, as extracted from the Group's audited financial statements, is set out below. This summary does not form part of the Group's audited consolidated financial statements.

Results	For the year ended 31 December				
	2025	2024	2023	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**79,345**	99,280	164,994	137,368	149,252
(Loss)/profit before tax	**(58,456)**	(48,289)	17,483	(12,121)	(32,773)
Income tax credit	**5,971**	351	1,388	53	950
(Loss)/profit for the year	**(52,485)**	(47,938)	18,871	(12,068)	(31,823)
(Loss)/earnings per share					
Basic (HK cents)	**(14.57)**	(13.31)	5.30	(3.47)	(9.16)

Financial position	As at 31 December				
	2025	2024	2023	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**518,784**	553,001	656,004	447,945	467,383
Total liabilities	**(460,075)**	(451,096)	(488,212)	(340,103)	(354,608)
Total equity	**58,709**	101,905	167,792	107,842	112,775