

**ERNEST BOREL HOLDINGS LTD:
THINGS ARE NOT ALWAYS WHAT THEY SEEM**

The 2014 financial results of Ernest Borel Holdings Ltd () (Code: 1856, Main Board, The Stock Exchange of Hongkong Ltd), when carefully examined, suggest, if anything, that this Company did moderately well, all things considered, during the previous, difficult 12-month period, ended December 31, 2014.

This is contrary to that which **TARGET** () had expected when this analyst put pen to paper at the time of the Initial Public Offering (**IPO**) of this Company.

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***‘ERNEST BORELL HOLDINGS LTD:
WHAT IS THE RIGHT TIME, PLEASE ?’***

On Monday, March 30, 2015, Ernest Borel announced that, on a Turnover of \$HK602,624,000 (2013: \$HK604,013,000), the Net Profit Attributable to Shareholders was \$HK58,811,000 (2013: \$HK93,021,000).

On cursory examination, therefore, the Net Profit Attributable to Shareholders in respect of the 2014-Year had fallen by \$HK34.21 million, or about 37 percent, Year-On-Year.

That does not look good, does it? But, in fact, the results could be considered considerably better than that which the figures indicate at first glance.

A lesser management of this Company would have done far worse. Of that, there could be no argument.

This Is TARGET’s Reasoning

The Consolidated Statement of Profit or Loss indicates, among other things, that the Gross Profit Margin and the Net Profit Margin had both been shaved down in respect of the 2014-Year, compared with the statistics with regard to the 2013-Year.

The following **TARGET** table illustrates this point:

	<u>2014-Year</u>	<u>2013-Year</u>
Gross Profit Margin	60.85 percent	62.93 percent
Net Profit Margin	9.76 percent	15.40 percent

However, with regard to the Net Profit Margin for the 2014-Year, it is noted that Listing Expenses in respect of the Company's flotation on the Main Board of The Stock Exchange of Hongkong Ltd (on July 11, 2014) caused the Company to recognise an expense of \$HK22,012,000 in the Books of the 2014-Year.

In the 2013-Year, the Company recognised Listing Expenses, amounting to \$HK7,029,000, only.

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