



# HERALD HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Interim Results for the six months ended 30 September 2002

## PRESS RELEASE

The Board of Directors of Herald Holdings Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2002, together with the comparative figures for the corresponding period in 2001, as follows:

### Consolidated Profit and Loss Account – Unaudited

For the six months ended 30 September 2002

	Six months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
<b>Turnover</b>	<b>479,063</b>	449,178
Cost of sales	<u>(368,557)</u>	<u>(366,465)</u>
Gross profit	<b>110,506</b>	82,713
Other revenue	<b>3,337</b>	3,620
Other net (loss)/income	<b>(7,427)</b>	3,546
Selling expenses	<b>(18,114)</b>	(16,895)
Administrative expenses	<u><b>(65,356)</b></u>	<u>(73,998)</u>
Profit/(loss) from operations	<b>22,946</b>	(1,014)
Finance cost	<b>(262)</b>	(262)
Share of profit of a jointly controlled entity	<u><b>304</b></u>	<u>159</u>
<b>Profit/(loss) from ordinary activities before taxation</b>	<b>22,988</b>	(1,117)
Taxation	<u><b>(5,441)</b></u>	<u>(2,167)</u>
<b>Profit/(loss) from ordinary activities after taxation</b>	<b>17,547</b>	(3,284)
Minority interests	<u><b>(134)</b></u>	<u>(653)</u>
<b>Profit/(loss) attributable to shareholders</b>	<u><b>17,413</b></u>	<u>(3,937)</u>
<b>Interim dividends</b>	<u><b>6,199</b></u>	-
<b>Interim dividends per share</b>	<u><b>1 cent</b></u>	-
<b>Earnings/(loss) per share</b>		
- Basic	<u><b>2.80 cents</b></u>	<u>(0.63 cents)</u>

**Consolidated Balance Sheet - Unaudited***At 30 September 2002*

	<b>30 September 2002 HK\$'000</b>	31 March 2002 HK\$'000
<b>Non-current assets</b>		
Fixed assets	<b>179,531</b>	184,516
Interest in a jointly controlled entity	<b>1,610</b>	1,759
Other non-current financial assets	<b>7,161</b>	6,046
	<b>188,302</b>	192,321
<b>Current assets</b>		
Inventories	<b>115,208</b>	112,659
Trade and other receivables	<b>117,439</b>	121,231
Cash and cash equivalents	<b>171,227</b>	131,081
	<b>403,874</b>	364,971
<b>Current liabilities</b>		
Bank loans and overdrafts	<b>1,378</b>	3,345
Trade and other payables	<b>127,034</b>	106,812
Taxation	<b>7,334</b>	2,249
	<b>135,746</b>	112,406
<b>Net current assets</b>	<b>268,128</b>	252,565
<b>Total assets less current liabilities</b>	<b>456,430</b>	444,886
<b>Non-current liabilities</b>		
Deferred taxation	<b>(879)</b>	(844)
Provision for long service payments	<b>(6,388)</b>	(5,340)
	<b>(7,267)</b>	(6,184)
<b>Minority interests</b>	<b>(17,211)</b>	(17,853)
<b>NET ASSETS</b>	<b>431,952</b>	420,849
<b>CAPITAL AND RESERVES</b>		
<b>Share capital</b>	<b>48,404</b>	48,673
<b>Reserves</b>	<b>383,548</b>	372,176
	<b>431,952</b>	420,849

**Condensed Consolidated Cash Flow Statement – Unaudited***For the six months ended 30 September 2002*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash from operating activities	<b>58,832</b>	1,419
Net cash used in investing activities	<b>(8,728)</b>	(6,876)
Net cash used in financing	<b>(9,525)</b>	(2,165)
Increase/(decrease) in cash and cash equivalents	<b>40,579</b>	(7,622)
Cash and cash equivalents at 1 April	<b>128,665</b>	90,333
Effect of foreign exchange rate changes	<b>605</b>	101
Cash and cash equivalents at 30 September	<b>169,849</b>	82,812
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash at bank and in hand	<b>171,227</b>	89,769
Short term bank loans and overdrafts	<b>(1,378)</b>	(6,957)
	<b>169,849</b>	82,812

**Condensed Consolidated Statement of Changes in Equity - Unaudited***For the six months ended 30 September 2002*

	<b>Share premium HK\$'000</b>	<b>Contributed surplus HK\$'000</b>	<b>Exchange fluctuation reserve HK\$'000</b>	<b>Retained profits HK\$'000</b>	<b>Total HK\$'000</b>
At 1 April 2002	27,586	271,692	(10,605)	83,503	372,176
Exchange difference on Consolidation	-	-	576	-	576
Premium paid on repurchase of shares	(391)	-	-	-	(391)
Final dividend paid in respect of previous year	-	(6,226)	-	-	(6,226)
Profit for the period	-	-	-	17,413	17,413
<b>At 30 September 2002</b>	<b>27,195</b>	<b>265,466</b>	<b>(10,029)</b>	<b>100,916</b>	<b>383,548</b>
At 1 April 2001					
- as previously reported	27,699	271,692	(9,161)	119,247	409,477
- opening balance adjustment in respect of long service payments	-	-	-	(3,328)	(3,328)
- As restated	27,699	271,692	(9,161)	115,919	406,149
Exchange difference on Consolidation	-	-	1,241	-	1,241
Loss for the period	-	-	-	(3,937)	(3,937)
At 30 September 2001	27,699	271,692	(7,920)	111,982	403,453

## **BUSINESS REVIEW**

The Group's turnover for the six months to 30 September 2002 amounted to HK\$479,063,000, representing an increase of 6.7% as compared with the corresponding period in the previous year. The profit attributable to shareholders for the same period was HK\$17,413,000 as compared to a loss of HK\$3,937,000 in the half year a year earlier.

Despite the general global economic downturn, the turnover of the Toy and Gift Division for the six months ended 30 September 2002 had a substantial year on year increase of 24%. The strong sales of action figures toys related to the movie "Star Wars : Episode II – Attack of the Clones" continued during the whole period under review. To cope with the growth in business, the division demonstrated that it has successfully reduced its production lead-time through various measures to strengthen its management in material and production controls. Furthermore, the division has also been successful in establishing business with some new toy customers which also contributed to the increase in sales during the period under review.

The houseware division had a satisfactory result during the half-year period under review. For the six months ended 30 September 2002, the division's sales increased by 53% over the corresponding period in 2001. Sales of aluminium cookware grew by 43%. Similarly the stainless steel cookware also recorded a 107% growth in sales. Geographically, the sales in the UK market grew by 16% as compared to the same period last year while sales to the US market grew significantly by five fold due to sales to a new customer.

For the first half, the Computer Head Division had a loss of HK\$10 million primarily due to a drastic decline of 47% in sales when compared to the same period last year. The decrease in sales was due to the loss of a major customer in ferrite tape head business. Although sales in thin-film tape heads had a favourable growth of 86% compared to the previous year's half-year, the additional sales were not enough to make up the loss of sales in the ferrite tape heads.

In the first six months of the year under review, the business of the timepiece division remained stagnant. The division recorded a half-year loss of HK\$8 million compared to a loss of HK\$10 million in the same six months last year. The improvement was partly due to the closure of the loss-making French operation and more favourable gross profit margins resulting from a stronger British Sterling to the US dollar.

## **FINANCIAL POSITION**

The Group continues to exercise prudence in the management of its working capital. As in the past, the Group maintains a good liquidity position without any long term debt funding. At 30 September 2002, the Group's net cash surplus further increased to HK\$170 million which was HK\$42 million higher than the HK\$128 million at 31 March 2002. In comparing the levels at 30 September 2002 and the same day last year, the net cash surplus more than doubled. As at 30 September 2002, the working capital ratio, an indicator of a company's liquidity represented by the ratio between current assets over current liabilities, was 2.98 compared to 3.25 at 31 March 2002. The quick ratio, another ratio that gauges the financial strength of a company measured by trade debtors and cash at bank and in hand over current liabilities stood at 2.01, a healthy level similar to that at 31 March 2002.

## **PROSPECTS AND GENERAL OUTLOOK**

The management anticipates that the worldwide economy will remain weak in the second half of the current fiscal year. There are conflicting indications as to whether the world economy will bottom out in 2003. The business of the toy and gift division and the houseware division will perform well in the third quarter of the current financial year. However, due to their seasonal nature, both divisions' businesses will slow down in the fourth quarter. Furthermore, in the second half, the computer head division may still continue to be adversely affected by the low technology spending and the timepiece division will still face difficult market conditions. However, the management remains hopeful that the Group can weather the uncertain market conditions and maintain profitability in the second half of the year.

## **DIVIDENDS**

The Directors have declared an interim dividend of HK1 cent per share (2001: Nil). The total amount of dividend payment of HK\$6,199,000 was based on the total number of shares in issue as at 17 December 2002 being the latest practicable date prior to the announcement of the interim results. Dividend will be payable on 17 January 2003 to shareholders registered in the Register of Members on 10 January 2003.

## **REGISTER OF MEMBERS**

The Register of Members will be closed from 9 January 2003 to 10 January 2003, both days inclusive. Shareholders should ensure that all transfers accompanied by relevant share certificates are lodged with the Company's Registrars, Tengis Limited at 4<sup>th</sup> Floor, Hutchison House, 10 Harcourt Road, Hong Kong for registration not later than 4:00 pm on 8 January 2003 in order that they may receive their dividend entitlement.

Herald Holdings Limited  
Hong Kong, 18 December 2002

Contact Person :     Mr. Robert Dorfman   Tel: 2522 6181  
                          Mr. Michael Thong    Tel: 2726 5565

*This and other information about Herald Holdings Limited can be accessed via [www.irasia.com/listco/hk/herald](http://www.irasia.com/listco/hk/herald) and [www.heraldgroup.com.hk](http://www.heraldgroup.com.hk)*