



HERALD HOLDINGS LIMITED

興利集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 00114)

PRESS RELEASE

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The Board of Directors (the “Board”) of Herald Holdings Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2019, together with the comparative figures for the corresponding period in 2018, as follows:

Consolidated statement of profit or loss – Unaudited

For the six months ended 30 September 2019

	Six months ended 30	
	2019	2018
	HK\$'000	HK\$'000
Revenue	590,957	526,133
Cost of sales	<u>(470,841)</u>	<u>(457,160)</u>
Gross profit	120,116	68,973
Other revenue	3,485	3,188
Other net loss	(7,549)	(9,764)
Selling expenses	(8,983)	(10,918)
Administrative expenses	(105,742)	(112,369)
Gain on disposal of non-current assets classified as held for sale	<u>-</u>	<u>21,609</u>
Profit/(loss) from operations	1,327	(39,281)
Finance cost	<u>(1,396)</u>	<u>(1,296)</u>
Loss before taxation	(69)	(40,577)
Income tax	<u>(7,662)</u>	<u>(3,129)</u>
Loss for the period	<u>(7,731)</u>	<u>(43,706)</u>

Consolidated statement of profit or loss – Unaudited (Continued)
For the six months ended 30 September 2019

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
Attributable to:		
Equity shareholders of the Company	(6,107)	(41,718)
Non-controlling interests	<u>(1,624)</u>	<u>(1,988)</u>
Loss for the period	<u>(7,731)</u>	<u>(43,706)</u>
Loss per share		
Basic (HK cents)	<u>(1.01)</u>	<u>(6.90)</u>
Diluted (HK cents)	<u><u>(1.01)</u></u>	<u><u>(6.90)</u></u>

Consolidated statement of profit or loss and other comprehensive income - Unaudited*For the six months ended 30 September 2019*

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Loss for the period	(7,731)	(43,706)
Other comprehensive income for the period		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong (no tax effect)	<u>(19,633)</u>	<u>(29,549)</u>
Total comprehensive income for the period	<u><u>(27,364)</u></u>	<u><u>(73,255)</u></u>
Attributable to:		
Equity shareholders of the Company	(25,607)	(70,674)
Non-controlling interests	<u>(1,757)</u>	<u>(2,581)</u>
Total comprehensive income for the period	<u><u>(27,364)</u></u>	<u><u>(73,255)</u></u>

Consolidated statement of financial position - Unaudited*At 30 September 2019*

	As at 30 September 2019 HK\$'000	As at 31 March 2019 HK\$'000
Non-current assets		
Investment properties	54,897	57,769
Other property, plant and equipment	276,459	292,439
Interests in leasehold land held for own use under operating leases	3,500	3,562
	<u>334,856</u>	353,770
Intangible assets	1,107	1,124
Other financial assets	2,300	2,300
Deferred tax assets	19,008	24,519
	<u>357,271</u>	381,713
Current assets		
Trading securities	80,483	84,814
Inventories	170,518	174,555
Trade and other receivables	224,969	122,628
Pledged bank balances	1,256	464
Cash and cash equivalents	156,813	186,606
Current tax recoverable	1,584	4,162
	<u>635,623</u>	573,229
Non-current assets classified as held for sale	903	-
	<u>636,526</u>	573,229
Current liabilities		
Trade and other payables and contract liabilities	222,729	158,291
Bank loans	36,607	40,243
Lease liabilities	3,555	-
Current tax payable	15,723	16,093
Dividends payable to equity shareholders of the Company	18,135	-
	<u>296,749</u>	214,627
Net current assets	<u>339,777</u>	358,602
Total assets less current liabilities	<u>697,048</u>	740,315

Consolidated statement of financial position – Unaudited (Continued)

At 30 September 2019

	As at 30 September 2019 HK\$'000	As at 31 March 2019 HK\$'000
Non-current liabilities		
Lease liabilities	3,888	-
Deferred tax liabilities	19,458	20,465
Provision for long service payments	1,124	1,411
	<u>24,470</u>	<u>21,876</u>
NET ASSETS	<u>672,578</u>	<u>718,439</u>
CAPITAL AND RESERVES		
Share capital	47,150	47,150
Reserves	617,859	661,601
Total equity attributable to equity shareholders of the Company	<u>665,009</u>	<u>708,751</u>
Non-controlling interests	<u>7,569</u>	<u>9,688</u>
TOTAL EQUITY	<u>672,578</u>	<u>718,439</u>

BUSINESS REVIEW

The Group's revenue for the six months ended 30 September 2019 amounted to HK\$591 million which was up 12% from HK\$526 million in the corresponding period last year. The Group reported a net loss attributable to the equity shareholders of HK\$6.1 million for the period under review as compared with a net loss of HK\$41.7 million a year earlier. The decrease in net loss was primarily attributable to better-than-expected results of the Toys Division and tight control over operating expenses. Further analysis of the operating results is set out in the following paragraphs.

The Toys Division performed well in the first half of the fiscal year. It is most encouraging that the division was able to complete all the production as scheduled despite labor shortages in Southern China. Driven by the strong sales of toys related to several popular movies, the division's revenue for the period rose 43% year-on-year from HK\$311 million to HK\$445 million and its first-half operating profit surged to HK\$33.8 million from HK\$11.1 million a year earlier.

The performance of the Computer Products Division was disappointing with a 52% drop in first-half revenue to HK\$52 million from HK\$108 million a year earlier. In particular, the sales of smart connected devices for the period shrank by 58% year-on-year to HK\$21 million. Because of the lower revenue, the division saw its half-yearly operating loss increase to HK\$12.6 million from HK\$6.5 million a year ago.

For the six months ended 30 September 2019, the revenue of the Housewares Division fell 13% year-on-year from HK\$37 million to HK\$32 million as the division now only engages in trading activities. Compared with the same period last year, the division's operating loss declined from HK\$15.1 million to HK\$3.6 million as a result of cost savings achieved from the closure of its joint venture factory in Zhuhai and the absence of termination payments for workers.

Amid a difficult retail environment, the Timepieces Division saw its half-yearly revenue drop by 11% to HK\$62 million from HK\$70 million in the previous year. With stringent measures taken to control operating costs, the division's operating loss decreased to HK\$0.9 million from HK\$13.2 million a year earlier.

The Group recorded net realised and unrealised losses on trading securities of HK\$4.4 million for the period under review as compared with losses of HK\$5.1 million a year ago. At 30 September 2019, the Group's trading securities decreased to HK\$80 million from HK\$85 million as at the beginning of the fiscal year.

PROSPECTS AND GENERAL OUTLOOK

Due to seasonal factors, the business of the Toys Division will slow down in the second half of the fiscal year. The Management also anticipates that the difficult business environment facing the Computer Products Division will continue amid uncertainty over the US-China trade war. Nevertheless, the division has several smart connected products under development that have good business potential. Meanwhile, with cost-cutting and restructuring measures, the Management expects that the Timepieces and Housewares Divisions will remain competitive in the second half of the fiscal year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group continued to exercise prudence in managing its financial resources. As in the past, the Group maintains a sound liquidity position. At 30 September 2019, the Group's cash balances aggregated to HK\$158 million (at 31 March 2019: HK\$187 million).

At the end of September 2019, the Group's current assets amounted to HK\$637 million (at 31 March 2019: HK\$573 million) which included inventories of HK\$171 million (at 31 March 2019: HK\$175 million), trade and other receivables of HK\$225 million (at 31 March 2019: HK\$123 million) and trading securities of HK\$80 million (at 31 March 2019: HK\$85 million).

At 30 September 2019, the Group's current liabilities increased to HK\$297 million from HK\$215 million as at the beginning of the fiscal year. The bank loans amounted to HK\$37 million (at 31 March 2019: HK\$40 million) which included revolving loans of HK\$32 million (at 31 March 2019: HK\$34 million) and mortgage loan balance of HK\$5 million (at 31 March 2019: HK\$6 million). The mortgage loan balance of HK\$5 million is repayable by fixed monthly instalments with maturity date in August 2021. Certain trading securities and bank deposits amounting to HK\$78 million (at 31 March 2019: HK\$81 million), along with certain properties with a carrying amount of HK\$56 million (at 31 March 2019: HK\$58 million), were pledged to banks to secure banking facilities granted to the Group.

The Group monitors its capital structure on the basis of gearing ratio, which is calculated as a percentage of total liabilities over total assets. The gearing ratio of the Group as at 30 September 2019 was 32% (at 31 March 2019: 25%). At 30 September 2019, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 2.14 as compared to 2.67 at 31 March 2019. The quick ratio, another ratio that gauges the short term liquidity and measured by trade debtors and bills receivable and cash and cash equivalents over current liabilities, decreased to 1.22 from 1.29 at 31 March 2019.

DIVIDEND

The Directors have declared an interim dividend of HK2 cents per share (2018: Nil). The total amount of dividend payment of HK\$12 million (2018: Nil) was based on the total number of shares in issue as at 28 November 2019, being the latest practicable date prior to the announcement of the interim results. The dividend will be paid on Thursday, 16 January 2020 to shareholders registered in the Register of Members on Monday, 6 January 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed from Friday, 3 January 2020 to Monday, 6 January 2020, both days inclusive, during which period no transfer of shares will be effected. In order to be qualified for the interim dividend, shareholders should ensure that all transfers of shares, accompanied by the relevant share certificates, are lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 2 January 2020.

Herald Holdings Limited
Hong Kong, 29 November 2019

Contact Person:

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**For identification only*