



# 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 2021

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 2021, together with the comparative figures for the corresponding period in 2020, as follows:

#### Consolidated statement of profit or loss – Unaudited

For the six months ended 30 September 2021

|  | Six months ended 30<br>September |                        |
|--|----------------------------------|------------------------|
|  | 2021                             | 2020                   |
|  | HK\$'000                         | HK\$'000<br>(Restated) |
| <b>Continuing operations</b>                                   |                                  |                        |
| Revenue  | 558,541                          | 521,779                |
| Cost of sales  | <u>(500,097)</u>                 | <u>(406,285)</u>       |
| <b>Gross profit</b>  | <b>58,444</b>                    | 115,494                |
| Other revenue  | 5,237                            | 2,271                  |
| Other net (loss)/income  | (4,402)                          | 5,646                  |
| Selling expenses   | (7,861)                          | (5,181)                |
| Administrative expenses  | <u>(86,803)</u>                  | <u>(91,131)</u>        |
| <b>(Loss)/profit from operations</b>                           | <b>(35,385)</b>                  | 27,099                 |
| Finance cost   | <u>(674)</u>                     | <u>(495)</u>           |
| <b>(Loss)/profit before taxation</b>                           | <b>(36,059)</b>                  | 26,604                 |
| Income tax   | <u>5,218</u>                     | <u>(8,489)</u>         |
| <b>(Loss)/profit for the period from continuing operations</b> | <b>(30,841)</b>                  | 18,115                 |
| <b>Discontinued operations</b>                                 |                                  |                        |
| Profit for the period from discontinued operations             | <u>-</u>                         | <u>1,760</u>           |
| <b>(Loss)/profit for the period</b>                            | <b><u>(30,841)</u></b>           | <b><u>19,875</u></b>   |

**Consolidated statement of profit or loss – Unaudited (Continued)***For the six months ended 30 September 2021*

|   | <b>Six months ended</b> |                      |
|---|-------------------------|----------------------|
|   | <b>30 September</b>     |                      |
|   | <b>2021</b>             | 2020                 |
|   | <b>HK\$'000</b>         | HK\$'000             |
|   |                         | (Restated)           |
| <b>Attributable to:</b>                                   |                         |                      |
| Equity shareholders of the Company                        |                         |                      |
| - (Loss)/profit for the period from continuing operations | <b>(31,379)</b>         | 18,858               |
| - Profit for the period from discontinued operations      | <u>-</u>                | <u>1,616</u>         |
|   | <b>(31,379)</b>         | <u>20,474</u>        |
| Non-controlling interests                                 |                         |                      |
| - Profit/(loss) for the period from continuing operations | <b>538</b>              | (743)                |
| - Profit for the period from discontinued operations      | <u>-</u>                | <u>144</u>           |
|   | <b>538</b>              | <u>(599)</u>         |
| <b>(Loss)/profit for the period</b>                       | <b><u>(30,841)</u></b>  | <b><u>19,875</u></b> |
| <b>(Loss)/earnings per share</b>                          |                         |                      |
| <b>Basic (HK cents)</b>                                   |                         |                      |
| - From continuing operations                              | <b>(5.19)</b>           | 3.12                 |
| - From discontinued operations                            | <u>-</u>                | <u>0.27</u>          |
|   | <b>(5.19)</b>           | <u>3.39</u>          |
| <b>Diluted (HK cents)</b>                                 |                         |                      |
| - From continuing operations                              | <b>(5.19)</b>           | 3.12                 |
| - From discontinued operations                            | <u>-</u>                | <u>0.27</u>          |
|   | <b>(5.19)</b>           | <u>3.39</u>          |

## Consolidated statement of profit or loss and other comprehensive income - Unaudited

For the six months ended 30 September 2021

|   | Six months ended 30 September |                        |
|---|-------------------------------|------------------------|
|   | 2021                          | 2020                   |
|   | HK\$'000                      | HK\$'000<br>(Restated) |
| <b>(Loss)/profit for the period</b>   | <b><u>(30,841)</u></b>        | <b><u>19,875</u></b>   |
| <b>Other comprehensive income for the period</b>  |                               |                        |
| <i>Item that will not be reclassified to profit or loss:</i>  |                               |                        |
| Surplus on revaluation of land and buildings held for own use upon change of use to investment properties (net of tax effect of HK\$Nil (2020: HK\$14,511,000)) | -                             | 20,385                 |
| <i>Item 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>3,240</u>                  | <u>12,636</u>          |
| <b>Other comprehensive income for the period</b>  | <b><u>3,240</u></b>           | <b><u>33,021</u></b>   |
| <b>Total comprehensive income for the period</b>  | <b><u>(27,601)</u></b>        | <b><u>52,896</u></b>   |
| <b>Attributable to:</b>   |                               |                        |
| Equity shareholders of the Company  |                               |                        |
| - From continuing operations  | (27,975)                      | 32,956                 |
| - From discontinued operations  | <u>-</u>                      | <u>16,169</u>          |
|   | <b><u>(27,975)</u></b>        | <b><u>49,125</u></b>   |
| Non-controlling interests   |                               |                        |
| - From continuing operations  | 374                           | (743)                  |
| - From discontinued operations  | <u>-</u>                      | <u>4,514</u>           |
|   | <b><u>374</u></b>             | <b><u>3,771</u></b>    |
| <b>Total comprehensive income for the period</b>  | <b><u>(27,601)</u></b>        | <b><u>52,896</u></b>   |

**Consolidated statement of financial position - Unaudited***At 30 September 2021*

|  | As at<br>30 September 2021<br>HK\$'000 | As at<br>31 March 2021<br>HK\$'000 |
|--|--|------------------------------------|
| <b>Non-current assets</b>                                  |  |                                    |
| Investment properties                                      | 102,645                                | 101,526                            |
| Other property, plant and equipment                        | <u>250,934</u>                         | <u>251,995</u>                     |
|  | 353,579                                | 353,521                            |
| Intangible assets  | 1,038                                  | 1,056                              |
| Other financial assets                                     | 2,300                                  | 2,300                              |
| Deferred tax assets  | <u>22,868</u>                          | <u>17,077</u>                      |
|  | <u>379,785</u>                         | <u>373,954</u>                     |
| <b>Current assets</b>                                      |  |                                    |
| Trading securities   | 87,860                                 | 91,883                             |
| Inventories  | 218,372                                | 146,120                            |
| Trade and other receivables                                | 197,234                                | 161,960                            |
| Pledged bank balances                                      | 3,544                                  | 2,359                              |
| Cash and cash equivalents                                  | 113,957                                | 168,601                            |
| Current tax recoverable                                    | <u>5,656</u>                           | <u>3,469</u>                       |
|  | <u>626,623</u>                         | <u>574,392</u>                     |
| <b>Current liabilities</b>                                 |  |                                    |
| Trade and other payables and contract liabilities          | 205,207                                | 161,758                            |
| Bank loans   | 38,000                                 | 1,092                              |
| Lease liabilities  | 4,856                                  | 4,459                              |
| Current tax payable  | 21,714                                 | 21,012                             |
| Dividends payable to equity shareholders<br>of the Company | <u>18,135</u>                          | <u>-</u>                           |
|  | <u>287,912</u>                         | <u>188,321</u>                     |
| <b>Net current assets</b>                                  | <u>338,711</u>                         | <u>386,071</u>                     |
| <b>Total assets less current liabilities</b>               | <u>718,496</u>                         | <u>760,025</u>                     |

## Consolidated statement of financial position – Unaudited (Continued)

At 30 September 2021

|  | As at<br>30 September 2021<br>HK\$'000 | As at<br>31 March 2021<br>HK\$'000 |
|--|--|------------------------------------|
| <b>Non-current liabilities</b>   |  |                                    |
| Lease liabilities  | 9,232                                  | 5,501                              |
| Deferred tax liabilities   | 35,190                                 | 34,714                             |
| Provision for long service payments  | 1,225                                  | 1,225                              |
|  | <u>45,647</u>                          | <u>41,440</u>                      |
| <b>NET ASSETS</b>  | <u>672,849</u>                         | <u>718,585</u>                     |
| <b>CAPITAL AND RESERVES</b>  |  |                                    |
| Share capital  | 47,150                                 | 47,150                             |
| Reserves   | 613,556                                | 659,666                            |
| <b>Total equity attributable to equity shareholders of<br/>the Company</b> | <b>660,706</b>                         | 706,816                            |
| <b>Non-controlling interests</b>   | <u>12,143</u>                          | <u>11,769</u>                      |
| <b>TOTAL EQUITY</b>  | <u>672,849</u>                         | <u>718,585</u>                     |

## BUSINESS REVIEW

The Group's revenue for the six months ended 30 September 2021 amounted to HK\$559 million which was up 2% from HK\$549 million (including both continuing and discontinued operations) in the corresponding period last year. The Group reported a net loss attributable to the equity shareholders of HK\$31.4 million for the period under review as compared with a net profit of HK\$20.5 million a year earlier. The net loss was mainly due to challenges of a global shortage of shipping containers and electricity supply interruptions in China, rising material and labour costs, and net realised and unrealised losses on trading securities of HK\$4 million (2020: net gains of HK\$4.9 million). Further analysis of the operating results is set out in the following paragraphs.

During the period under review, the Toys Division experienced the most difficult trading environment in recent years. Due to shipment delays and a significant backlog of orders resulting from a global shortage of shipping containers, the division's first-half revenue dropped 6% year-on-year from HK\$428 million to HK\$401 million. In addition, production has been severely disrupted by electricity supply interruptions in Dongguan where our factories are located. Together with surging material and labour costs, the division recorded an operating loss of HK\$32.3 million for the six months ended 30 September 2021 as compared with an operating profit of HK\$37.7 million a year earlier.

The performance of the Computer Products Division improved during the period under review with a 70% increase in first-half revenue to HK\$62 million from HK\$36 million last year. The increase was mainly due to the strong sales of smart connected devices which accounted for about half of the division's revenue. Because of higher revenue, the division's operating loss for the period has shrunk to HK\$1.7 million from HK\$4.6 million in the previous year.

Driven by pent-up demand amid easing of Covid-19 restrictions worldwide, the revenue of the Timepieces Division for the six months ended 30 September 2021 soared 67% year-on-year from HK\$57 million to HK\$96 million. In particular, the division saw the sales of its licensed brands grow substantially. In comparison with an operating loss of HK\$3.2 million a year earlier, the division recorded an operating profit of HK\$8.2 million for the period under review.

## **PROSPECTS AND GENERAL OUTLOOK**

Despite the unfavorable results in the first half of the financial year, the Group's overall orders at the end of October 2021 surged 121% from those at the same time in 2020. Nevertheless, the management anticipates that the difficult trading environment facing the toy industry will continue. There are also no signs that high costs of production will come down anytime soon. On the other hand, the prospects for the Computer Products Division remain positive as the sales of smart connected devices are expected to pick up in the second half of the financial year. Meanwhile, the business of the Timepieces Division will stay strong amid robust consumer demand.

## **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 2021, the Group's cash balances aggregated to HK\$118 million (at 31 March 2021: HK\$171 million).

At the end of September 2021, the Group's current assets amounted to HK\$627 million (at 31 March 2021: HK\$574 million) which included inventories of HK\$218 million (at 31 March 2021: HK\$146 million), trade and other receivables of HK\$197 million (at 31 March 2021: HK\$162 million) and trading securities of HK\$88 million (at 31 March 2021: HK\$92 million).

At 30 September 2021, the Group's current liabilities increased to HK\$288 million from HK\$188 million as at the beginning of the fiscal year. The bank loans amounted to HK\$38 million (at 31 March 2021: HK\$1 million) which included revolving loans of HK\$38 million (at 31 March 2021: Nil) and mortgage loan balance of Nil (at 31 March 2021: HK\$1 million). The mortgage loan was repaid in fixed monthly instalments and matured in August 2021. Certain trading securities and bank deposits amounting to HK\$89 million (at 31 March 2021: HK\$92 million), along with certain properties with a carrying amount of HK\$50 million (at 31 March 2021: HK\$52 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 2021 was 33% (at 31 March 2021: 24%). At 30 September 2021, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 2.18 as compared to 3.05 at 31 March 2021. 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 0.97 from 1.52 at 31 March 2021.

## **DIVIDEND**

The Directors have declared an interim dividend of HK3 cents per share (2020: HK3 cents). The total amount of dividend payment of HK\$18 million (2020: HK\$18 million) was based on the total number of shares in issue as at 26 November 2021, being the latest practicable date prior to the announcement of the interim results. The dividend will be paid on Wednesday, 19 January 2022 to shareholders registered in the Register of Members on Wednesday, 5 January 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed from Tuesday, 4 January 2022 to Wednesday, 5 January 2022, 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 Monday, 3 January 2022.

Herald Holdings Limited  
Hong Kong, 29 November 2021

Contact Person:

|                                     |           |
|-------------------------------------|-----------|
| Mr Robert Dorfman, Chairman         | 2522 6181 |
| Mr Shum Kam Hung, Managing Director | 2522 6181 |

*\*For identification only*