



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 2022

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 2022, together with the comparative figures for the corresponding period in 2021, as follows:

Consolidated statement of profit or loss – Unaudited

For the six months ended 30 September 2022

	Six months ended 30	
	September	
	2022	2021
	HK\$'000	HK\$'000
Revenue	808,531	558,541
Cost of sales	(625,598)	(500,097)
Gross profit	182,933	58,444
Other revenue	5,356	5,237
Other net loss	(12,817)	(4,402)
Selling expenses	(6,895)	(7,861)
Administrative expenses	(102,420)	(86,803)
Profit/(loss) from operations	66,157	(35,385)
Finance cost	(2,116)	(674)
Profit/(loss) before taxation	64,041	(36,059)
Income tax	(20,282)	5,218
Profit/(loss) for the period	43,759	(30,841)

Consolidated statement of profit or loss – Unaudited (Continued)*For the six months ended 30 September 2022*

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Attributable to:		
Equity shareholders of the Company	44,025	(31,379)
Non-controlling interests	<u>(266)</u>	<u>538</u>
Profit/(loss) for the period	<u>43,759</u>	<u>(30,841)</u>
Earnings/(loss) per share		
Basic (HK cents)	<u>7.28</u>	<u>(5.19)</u>
Diluted (HK cents)	<u>7.28</u>	<u>(5.19)</u>

Consolidated statement of profit or loss and other comprehensive income - Unaudited*For the six months ended 30 September 2022*

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Profit/(loss) for the period	<u>43,759</u>	<u>(30,841)</u>
Other comprehensive income for the period		
<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>(35,420)</u>	<u>3,240</u>
Total comprehensive income for the period	<u><u>8,339</u></u>	<u><u>(27,601)</u></u>
Attributable to:		
Equity shareholders of the Company	9,510	(27,975)
Non-controlling interests	<u>(1,171)</u>	<u>374</u>
Total comprehensive income for the period	<u><u>8,339</u></u>	<u><u>(27,601)</u></u>

Consolidated statement of financial position - Unaudited*At 30 September 2022*

	As at 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
Non-current assets		
Investment properties	98,361	109,147
Other property, plant and equipment	<u>232,465</u>	<u>246,493</u>
	330,826	355,640
Intangible assets	1,004	1,022
Other financial assets	4,250	4,250
Deferred tax assets	<u>9,944</u>	<u>31,851</u>
	<u>346,024</u>	<u>392,763</u>
Current assets		
Trading securities	68,893	85,439
Inventories	202,605	254,866
Trade and other receivables	267,331	146,922
Pledged bank balances	2,517	990
Cash and cash equivalents	99,200	89,764
Current tax recoverable	<u>1,719</u>	<u>1,719</u>
	642,265	579,700
Non-current assets classified as held for sale	<u>980</u>	<u>-</u>
	<u>643,245</u>	<u>579,700</u>
Current liabilities		
Trade and other payables and contract liabilities	222,250	209,994
Bank loans	46,152	54,032
Lease liabilities	5,327	3,902
Current tax payable	23,755	26,131
Dividends payable to equity shareholders of the Company	<u>18,135</u>	<u>-</u>
	<u>315,619</u>	<u>294,059</u>
Net current assets	<u>327,626</u>	<u>285,641</u>
Total assets less current liabilities	<u>673,650</u>	<u>678,404</u>

Consolidated statement of financial position – Unaudited (Continued)

At 30 September 2022

	As at 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
Non-current liabilities		
Lease liabilities	17,439	8,354
Deferred tax liabilities	34,025	38,068
Provision for long service payments	1,142	1,142
	<u>52,606</u>	<u>47,564</u>
NET ASSETS	<u>621,044</u>	<u>630,840</u>
CAPITAL AND RESERVES		
Share capital	47,150	47,150
Reserves	561,295	569,920
Total equity attributable to equity shareholders of the Company	608,445	617,070
Non-controlling interests	12,599	13,770
TOTAL EQUITY	<u>621,044</u>	<u>630,840</u>

BUSINESS REVIEW

The Group's revenue for the six months ended 30 September 2022 amounted to HK\$809 million which was up 45% from HK\$559 million in the corresponding period last year. The Group reported a net profit attributable to the equity shareholders of HK\$44.0 million for the period under review as compared with a net loss of HK\$31.4 million a year earlier. The turnaround was mainly attributable to the strong performance of the Toys Division. Further analysis of the operating results is set out in the following paragraphs.

Driven by higher demand for toys as Covid-19 restrictions eased, the Toys Division saw its first-half revenue reach a record high of HK\$643 million, representing a surge of 60% from HK\$401 million last year. Together with price adjustments and productivity improvement, the division recorded an operating profit of \$76.1 million for the six months ended 30 September 2022 as compared with an operating loss of HK\$32.3 million a year earlier.

We are pleased to report that the Computer Products Division returned to profitability in the period under review. With the strong sales of smart connected devices, the division's first-half revenue increased 35% year-on-year to HK\$83 million from HK\$62 million last year. In comparison with an operating loss of HK\$1.7 million in the year-ago period, the division recorded an operating profit of HK\$4 million for the six months ended 30 September 2022.

The business of the Timepieces Division slowed down with a 14% drop in half-yearly revenue to HK\$82 million from HK\$96 million a year earlier. The revenue decline was mainly due to fewer promotion programmes and weaker demand in the United Kingdom, the division's largest market, which is facing a cost-of-living crisis driven by high inflation and surging energy prices. For the first half of the financial year, the division's operating profit decreased to HK\$6.3 million from HK\$8.2 million in the previous year.

In the midst of volatile stock markets stirred by interest rate hikes, soaring inflation and geopolitical tensions, the Group recorded net realised and unrealised losses on trading securities of HK\$16.3 million for the period under review (2021: net losses of HK\$4 million). At 30 September 2022, the Group's trading securities decreased to HK\$69 million from HK\$85 million as at the beginning of the financial year.

PROSPECTS AND GENERAL OUTLOOK

The Group's overall orders at the end of October 2022 fell 39% from those at the same time last year. Amid fears of a downturn in the global economy, the management is concerned about the Group's performance in the second half of the financial year. As customers placed their orders earlier this year, the business of the Toys Division has slowed down since October 2022. We are also cautious about the business of the Computer Products Division as a major customer has temporarily delayed shipments of certain products because of overstocking. On the other hand, the business of the Timepieces Division remains stable despite weak consumer spending.

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 2022, the Group's cash balances aggregated to HK\$102 million (at 31 March 2022: HK\$91 million).

At the end of September 2022, the Group's current assets amounted to HK\$643 million (at 31 March 2022: HK\$580 million) which included inventories of HK\$203 million (at 31 March 2022: HK\$255 million), trade and other receivables of HK\$267 million (at 31 March 2022: HK\$147 million) and trading securities of HK\$69 million (at 31 March 2022: HK\$85 million).

At 30 September 2022, the Group's current liabilities amounted to HK\$316 million (at 31 March 2022: HK\$294 million) which included revolving bank loans of HK\$46 million (at 31 March 2022: HK\$54 million). Certain trading securities and bank deposits amounting to HK\$69 million (at 31 March 2022: HK\$84 million), along with certain properties with a carrying amount of HK\$47 million (at 31 March 2022: HK\$ 49 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 2022 was 37% (at 31 March 2022: 35%). At 30 September 2022, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 2.04 as compared to 1.97 at 31 March 2022. 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, increased to 1.10 from 0.71 at 31 March 2022.

CONTINGENT LIABILITIES

As at 30 September 2022, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange risks primarily through sales and purchases that are denominated in a foreign currency, such as Renminbi, United States Dollars and Pound Sterling. Management monitors the Group's exposure to currency risk and will consider hedging significant foreign currency exposure should the need arises.

DIVIDEND

The Directors have declared an interim dividend of HK3 cents per share (2021: HK3 cents). The total amount of dividend payment of HK\$18 million (2021: HK\$18 million) was based on the total number of shares in issue as at 28 November 2022, being the latest practicable date prior to the announcement of the interim results. The dividend will be paid on Wednesday, 18 January 2023 to shareholders registered in the Register of Members on Thursday, 5 January 2023.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed from Wednesday, 4 January 2023 to Thursday, 5 January 2023, 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, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 3 January 2023.

Herald Holdings Limited
Hong Kong, 29 November 2022

Contact Person:

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**For identification only*