



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 2020

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 2020, together with the comparative figures for the corresponding period in 2019, as follows:

Consolidated statement of profit or loss – Unaudited

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Revenue	549,021	590,957
Cost of sales	<u>(428,002)</u>	<u>(470,841)</u>
Gross profit	121,019	120,116
Other revenue	3,539	3,485
Other net income/(loss)	7,181	(7,549)
Selling expenses	(6,347)	(8,983)
Administrative expenses	<u>(96,533)</u>	<u>(105,742)</u>
Profit from operations	28,859	1,327
Finance cost	<u>(495)</u>	<u>(1,396)</u>
Profit/(loss) before taxation	28,364	(69)
Income tax	<u>(8,489)</u>	<u>(7,662)</u>
Profit/(loss) for the period	<u>19,875</u>	<u>(7,731)</u>

Consolidated statement of profit or loss – Unaudited (Continued)
For the six months ended 30 September 2020

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Attributable to:		
Equity shareholders of the Company	20,474	(6,107)
Non-controlling interests	<u>(599)</u>	<u>(1,624)</u>
Profit/(loss) for the period	<u>19,875</u>	<u>(7,731)</u>
Earnings/(loss) per share		
Basic (HK cents)	<u>3.39</u>	<u>(1.01)</u>
Diluted (HK cents)	<u>3.39</u>	<u>(1.01)</u>

Consolidated statement of profit or loss and other comprehensive income - Unaudited*For the six months ended 30 September 2020*

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Profit/(loss) for the period	19,875	(7,731)
Other comprehensive income for the period		
<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\$14,511,000 (2019: HK\$Nil))	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)	12,636	(19,633)
Other comprehensive income for the period	33,021	(19,633)
Total comprehensive income for the period	52,896	(27,364)
Attributable to:		
Equity shareholders of the Company	49,125	(25,607)
Non-controlling interests	3,771	(1,757)
Total comprehensive income for the period	52,896	(27,364)

Consolidated statement of financial position - Unaudited*At 30 September 2020*

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
Non-current assets		
Investment properties	94,029	55,181
Other property, plant and equipment	<u>262,267</u>	<u>272,233</u>
	356,296	327,414
Intangible assets	1,073	1,090
Other financial assets	2,300	2,300
Deferred tax assets	<u>14,227</u>	<u>14,438</u>
	<u>373,896</u>	<u>345,242</u>
Current assets		
Trading securities	78,031	74,829
Inventories	162,682	148,834
Trade and other receivables	267,729	116,144
Pledged bank balances	1,933	1,020
Cash and cash equivalents	128,385	189,971
Current tax recoverable	<u>145</u>	<u>185</u>
	<u>638,905</u>	<u>530,983</u>
Current liabilities		
Trade and other payables and contract liabilities	197,052	141,686
Bank loans	10,388	3,668
Lease liabilities	4,664	5,303
Current tax payable	31,041	22,803
Dividends payable to equity shareholders of the Company	<u>18,135</u>	<u>-</u>
	<u>261,280</u>	<u>173,460</u>
Net current assets	<u>377,625</u>	<u>357,523</u>
Total assets less current liabilities	<u>751,521</u>	<u>702,765</u>

Consolidated statement of financial position – Unaudited (Continued)*At 30 September 2020*

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
Non-current liabilities		
Lease liabilities	3,584	4,772
Deferred tax liabilities	31,988	16,805
Provision for long service payments	1,333	1,333
	<u>36,905</u>	<u>22,910</u>
NET ASSETS	<u>714,616</u>	<u>679,855</u>
CAPITAL AND RESERVES		
Share capital	47,150	47,150
Reserves	656,276	625,286
Total equity attributable to equity shareholders of the Company	703,426	672,436
Non-controlling interests	<u>11,190</u>	<u>7,419</u>
TOTAL EQUITY	<u>714,616</u>	<u>679,855</u>

BUSINESS REVIEW

The Group's revenue for the six months ended 30 September 2020 amounted to HK\$549 million which was down 7% from HK\$591 million in the corresponding period last year. The Group reported a net profit attributable to the equity shareholders of HK\$20.5 million for the period under review as compared with a net loss of HK\$6.1 million a year earlier. The turnaround was mainly due to savings achieved through vigorous cost control measures, net realised and unrealised gains on trading securities of HK\$4.9 million (2019: net losses of HK\$4.4 million) and net exchange gains of HK\$2.3 million (2019: net losses of HK\$4.2 million). Further analysis of the operating results is set out in the following paragraphs.

The Toys Division started the current financial year with a strong order position. However, several customers cancelled orders and postponed shipments of certain products amid the coronavirus pandemic. For the six months ended 30 September 2020, the division's revenue fell 4% year-on-year from HK\$445 million to HK\$428 million. Despite lower revenue, as a result of improved operating efficiency, the division saw its half-yearly operating profit increase to HK\$37.7 million from HK\$33.8 million a year earlier.

The Computer Products Division suffered a slowdown in its performance with a 30% drop in first-half revenue to HK\$36 million from HK\$52 million last year. The revenue decline was mainly due to weaker sales of both smart connected devices and motor actuator assemblies. Nevertheless, with tight control over operating expenses, the division's operating loss for the period has shrunk to HK\$4.6 million from HK\$12.6 million in the previous year.

Given the tough business environment, the revenue of the Housewares Division for the first half of the financial year decreased by 15% year-on-year from HK\$32 million to HK\$27 million. As the UK is the major market for the division, the appreciation of sterling during the period had a positive effect on its interim results. In comparison with an operating loss of HK\$3.6 million a year earlier, the division recorded an operating profit of HK\$1.8 million for the six months ended 30 September 2020.

The business of the Timepieces Division was impacted by a weak consumer market with its first-half revenue shrinking by 7% year-on-year to HK\$57 million. To deal with the difficult trading conditions, the division reduced its headcount in the UK and, as a result, incurred redundancy costs of HK\$1.3 million. Compared with the same period last year, the division's half-yearly operating loss increased from HK\$0.9 million to HK\$3.2 million.

PROSPECTS AND GENERAL OUTLOOK

Due to seasonal factors, the business of the Toys Division has slowed down since October 2020. Meanwhile, the Computer Products Division continues to be adversely affected by a weak demand for smart connected devices. On the other hand, the Timepieces Division has shifted its focus to online sales in response to the change in consumer buying behavior amid the Covid-19 pandemic.

Despite the favorable results in the first half of the financial year, the Group's revenue in October 2020 declined by 13% as compared to the same month in 2019 while the Group's overall orders at the end of October 2020 also fell by 6% from those at the same time in 2019. Together with the uncertainties arising from Covid-19, the management has some concerns about the results of the Group in the second half of the financial 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 2020, the Group's cash balances aggregated to HK\$130 million (at 31 March 2020: HK\$191 million).

At the end of September 2020, the Group's current assets amounted to HK\$639 million (at 31 March 2020: HK\$531 million) which included inventories of HK\$163 million (at 31 March 2020: HK\$149 million), trade and other receivables of HK\$268 million (at 31 March 2020: HK\$116 million) and trading securities of HK\$78 million (at 31 March 2020: HK\$75 million).

At 30 September 2020, the Group's current liabilities increased to HK\$261 million from HK\$173 million as at the beginning of the fiscal year. The bank loans amounted to HK\$10 million (at 31 March 2020: HK\$4 million) which included revolving loans of HK\$8 million (at 31 March 2020: Nil) and mortgage loan balance of HK\$2 million (at 31 March 2020: HK\$4 million). The mortgage loan balance of HK\$2 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 2020: HK\$72 million), along with certain properties with a carrying amount of HK\$53 million (at 31 March 2020: HK\$ 55 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 2020 was 29% (at 31 March 2020: 22%). At 30 September 2020, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 2.45 as compared to 3.06 at 31 March 2020. 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 1.42 from 1.64 at 31 March 2020.

DIVIDEND

The Directors have declared an interim dividend of HK3 cents per share (2019: HK2 cents). The total amount of dividend payment of HK\$18 million (2019: HK\$12 million) was based on the total number of shares in issue as at 26 November 2020, being the latest practicable date prior to the announcement of the interim results. The dividend will be paid on Wednesday, 20 January 2021 to shareholders registered in the Register of Members on Wednesday, 6 January 2021.

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, 5 January 2021 to Wednesday, 6 January 2021, 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, 4 January 2021.

Herald Holdings Limited
Hong Kong, 27 November 2020

Contact Person:

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**For identification only*