



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 2023

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 2023, together with the comparative figures for the corresponding period in 2022, as follows:

Consolidated statement of profit or loss – Unaudited
For the six months ended 30 September 2023

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Revenue	406,783	808,531
Cost of sales	<u>(303,459)</u>	<u>(625,598)</u>
Gross profit	103,324	182,933
Other revenue	6,697	5,356
Other net loss	(2,148)	(12,817)
Selling expenses	(7,919)	(6,895)
Administrative expenses	<u>(89,558)</u>	<u>(102,420)</u>
Profit from operations	10,396	66,157
Finance cost	<u>(652)</u>	<u>(2,116)</u>
Profit before taxation	9,744	64,041
Income tax	<u>(2,116)</u>	<u>(20,282)</u>
Profit for the period	<u>7,628</u>	<u>43,759</u>

Consolidated statement of profit or loss – Unaudited (Continued)*For the six months ended 30 September 2023*

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Attributable to:		
Equity shareholders of the Company	8,212	44,025
Non-controlling interests	<u>(584)</u>	<u>(266)</u>
Profit for the period	<u>7,628</u>	<u>43,759</u>
Earnings per share		
Basic (HK cents)	<u>1.36</u>	<u>7.28</u>
Diluted (HK cents)	<u>1.36</u>	<u>7.28</u>

Consolidated statement of profit or loss and other comprehensive income - Unaudited
For the six months ended 30 September 2023

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Profit for the period	<u>7,628</u>	<u>43,759</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>(8,502)</u>	<u>(35,420)</u>
Total comprehensive income for the period	<u><u>(874)</u></u>	<u><u>8,339</u></u>
Attributable to:		
Equity shareholders of the Company	(79)	9,510
Non-controlling interests	<u>(795)</u>	<u>(1,171)</u>
Total comprehensive income for the period	<u><u>(874)</u></u>	<u><u>8,339</u></u>

Consolidated statement of financial position - Unaudited

At 30 September 2023

	As at 30 September 2023 HK\$'000	As at 31 March 2023 HK\$'000
Non-current assets		
Investment properties	102,035	103,733
Other property, plant and equipment	188,723	206,992
	290,758	310,725
Intangible assets	970	988
Other financial assets	4,356	2,300
Deferred tax assets	3,140	4,106
	299,224	318,119
Current assets		
Trading securities	75,657	80,429
Inventories	134,666	184,237
Trade and other receivables	151,896	149,443
Pledged bank balances	2,708	947
Cash and cash equivalents	228,851	170,330
	593,778	585,386
Current liabilities		
Trade and other payables and contract liabilities	142,133	148,267
Bank loans	10,000	10,000
Lease liabilities	5,931	5,806
Current tax payable	32,909	32,695
Dividends payable to equity shareholders of the Company	18,135	-
	209,108	196,768
Net current assets	384,670	388,618
Total assets less current liabilities	683,894	706,737

Consolidated statement of financial position – Unaudited (Continued)*At 30 September 2023*

	As at 30 September 2023 HK\$'000	As at 31 March 2023 HK\$'000
Non-current liabilities		
Lease liabilities	10,397	13,544
Deferred tax liabilities	35,562	36,249
Provision for long service payments	1,242	1,242
	<u>47,201</u>	<u>51,035</u>
NET ASSETS	<u>636,693</u>	<u>655,702</u>
CAPITAL AND RESERVES		
Share capital	47,150	47,150
Reserves	577,051	595,265
Total equity attributable to equity shareholders of the Company	624,201	642,415
Non-controlling interests	<u>12,492</u>	<u>13,287</u>
TOTAL EQUITY	<u>636,693</u>	<u>655,702</u>

BUSINESS REVIEW

The Group's revenue for the six months ended 30 September 2023 amounted to HK\$407 million which was down 50% from HK\$809 million in the corresponding period last year. The Group reported a net profit attributable to the equity shareholders of HK\$8.2 million for the period under review, down from HK\$44.0 million a year earlier. Further analysis of the operating results is set out in the following paragraphs.

The revenue of the Toys Division is HK\$262 million, representing a decline of 59% from HK\$643 million last year and the decrease was mainly attributable to weak demand for toys as a result of a tight spending environment and retailers cutting back on inventories. Together with price reductions, the division's operating profit for the six months ended 30 September 2023 decreased to HK\$21.4 million, down from HK\$76.1 million a year earlier.

With the weak demand for smart connected devices, the Computer Product Division's first-half revenue decreased 39% year-on-year to HK\$51 million from HK\$83 million last year. In comparison with an operating profit of HK\$4.0 million in the year-ago period, the division recorded an operating loss of HK\$7.5 million for the six months ended 30 September 2023.

The business of the Timepieces Division improved with a 15% growth in half-yearly revenue to HK\$94 million from HK\$82 million a year earlier. However, the operating costs of the subsidiary in United Kingdom went up as a result of inflation. For the first half of the financial year, the division's operating profit increased slightly to HK\$6.5 million from HK\$6.3 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\$4.8 million for the period under review (2022: net losses of HK\$16.3 million). At 30 September 2023, the Group's trading securities decreased to HK\$76 million from HK\$80 million as at the beginning of the financial year.

PROSPECTS AND GENERAL OUTLOOK

The Group's overall orders at the end of October 2023 fell 50% from those at the same time last year. Together with the uncertainties amid the global economy, the management is concerned about the Group's performance in the second half of the financial year. The business of the Toys Division will further weaken in the second half of the year. We are also cautious about the business of the Computer Products Division as a major customer is still suffering from 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 2023, the Group's cash balances, including pledged bank balances, aggregated to HK\$232 million (at 31 March 2023: HK\$171 million).

At the end of September 2023, the Group's current assets amounted to HK\$594 million (at 31 March 2023: HK\$585 million) which included inventories of HK\$135 million (at 31 March 2023: HK\$184 million), trade and other receivables of HK\$152 million (at 31 March 2023: HK\$149 million) and trading securities of HK\$76 million (at 31 March 2023: HK\$80 million).

At 30 September 2023, the Group's current liabilities amounted to HK\$209 million (at 31 March 2023: HK\$197 million) which included a revolving bank loan of HK\$10 million (at 31 March 2023: HK\$10 million). Certain trading securities and bank deposits amounting to HK\$77 million (at 31 March 2023: HK\$79 million), along with certain properties with a carrying amount of HK\$44 million (at 31 March 2023: HK\$46 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 2023 was 29% (at 31 March 2023: 27%). At 30 September 2023, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 2.84 as compared to 2.98 at 31 March 2023. 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 1.77 from 1.49 at 31 March 2023.

DIVIDEND

The Directors have declared an interim dividend of HK3 cents per share (2022: HK3 cents). The total amount of dividend payment of HK\$18 million (2022: HK\$18 million) was based on the total number of shares in issue as at 28 November 2023, being the latest practicable date prior to the announcement of the interim results. The dividend will be paid on Wednesday, 17 January 2024 to shareholders registered in the Register of Members on Thursday, 4 January 2024.

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, 3 January 2024 to Thursday, 4 January 2024, 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, 2 January 2024.

Herald Holdings Limited
Hong Kong, 29 November 2023

Contact Person:

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**For identification purpose only*