

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



HERALD HOLDINGS LIMITED

興利集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 00114)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

RESULTS

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

	Note	Six months ended 30 September	
		2020 HK\$'000	2019 HK\$'000
Revenue	3	549,021	590,957
Cost of sales		(428,002)	(470,841)
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		(96,533)	(105,742)
Profit from operations		28,859	1,327
Finance cost	4(a)	(495)	(1,396)
Profit/(loss) before taxation	4	28,364	(69)
Income tax	5	(8,489)	(7,662)
Profit/(loss) for the period		19,875	(7,731)

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

	<i>Note</i>	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	7		
Basic (HK cents)		<u>3.39</u>	<u>(1.01)</u>
Diluted (HK cents)		<u>3.39</u>	<u>(1.01)</u>

Details of dividends payable to equity shareholders of the Company are set out in note 6.

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	<u>19,875</u>	<u>(7,731)</u>
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)	<u>12,636</u>	<u>(19,633)</u>
Other comprehensive income for the period	<u>33,021</u>	<u>(19,633)</u>
Total comprehensive income for the period	<u>52,896</u>	<u>(27,364)</u>
Attributable to:		
Equity shareholders of the Company	49,125	(25,607)
Non-controlling interests	<u>3,771</u>	<u>(1,757)</u>
Total comprehensive income for the period	<u>52,896</u>	<u>(27,364)</u>

Consolidated statement of financial position - Unaudited

At 30 September 2020

	<i>Note</i>	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
Non-current assets			
Investment properties	8	94,029	55,181
Other property, plant and equipment	8	<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	9	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	10	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

	<i>Note</i>	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		<u>703,426</u>	672,436
Non-controlling interests		<u>11,190</u>	<u>7,419</u>
TOTAL EQUITY		<u>714,616</u>	<u>679,855</u>

NOTES:

1. BASIS OF PREPARATION

The interim financial results have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). It was authorised for issue on 27 November 2020.

The interim financial results have been prepared in accordance with the same accounting policies adopted in the 2019/2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020/2021 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of the interim financial results in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial results are unaudited, but have been reviewed by the Company’s audit committee.

The financial information relating to the financial year ended 31 March 2020 that is included in the interim financial results as comparative information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2020 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 June 2020.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group. None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. There is no impact on the opening balance of equity at 1 April 2020.

3. REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following six reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Toys : The manufacture, sale and distribution of toy products.
- Computer products : The manufacture and sale of computer products.
- Housewares : The sale and distribution of housewares.
- Timepieces : The sale and distribution of clocks, watches, and electronic and gift products.
- Investments : The investment in debt and equity securities and managed funds.
- Others : The leasing of properties to group companies and third parties to generate rental income and to gain from the appreciation in the properties' values in the long term.

(a) **Disaggregation of revenue**

Disaggregation of revenue from contracts with customers by major product lines and geographical location of customers is as follows:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Revenue from sales of goods within the scope of HKFRS 15		
Disaggregated by major product lines		
- Toys	428,309	445,144
- Computer Products	36,157	51,925
- Housewares	27,242	31,957
- Timepieces	57,313	61,931
	<u>549,021</u>	<u>590,957</u>
	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Disaggregated by geographical location of customers		
- Hong Kong (place of domicile)	<u>32,976</u>	<u>28,931</u>
- North America	309,452	323,037
- United Kingdom	74,407	83,572
- Europe (excluding United Kingdom)	60,880	63,805
- Asia (excluding Mainland China and Hong Kong)	12,961	19,658
- Mainland China	25,093	36,608
- Others	33,252	35,346
	<u>516,045</u>	<u>562,026</u>
	<u>549,021</u>	<u>590,957</u>

(b) Information about profit or loss, assets and liabilities

Disaggregation of revenue and information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2020 and 2019 is set out below.

	Six months ended 30 September 2020						
	Toys	Computer products	Housewares	Timepieces	Investments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customer	428,309	36,157	27,242	57,313	-	-	549,021
Inter-segment revenue	-	-	-	-	-	1,337	1,337
Reportable segment revenue	428,309	36,157	27,242	57,313	-	1,337	550,358
Reportable segment profit/(loss)	37,652	(4,569)	1,760	(3,163)	5,802	(810)	36,672

	As at 30 September 2020						
	Toys	Computer products	Housewares	Timepieces	Investments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	455,497	125,085	101,324	100,602	82,264	105,034	969,806
Reportable segment liabilities	151,235	15,445	32,330	26,416	-	2,547	227,973

Six months ended 30 September 2019

	Toys HK\$'000	Computer products HK\$'000	Housewares HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	Total HK\$'000
Revenue from external customer	445,144	51,925	31,957	61,931	-	-	590,957
Inter-segment revenue	-	-	-	-	-	1,525	1,525
Reportable segment revenue	445,144	51,925	31,957	61,931	-	1,525	592,482
Reportable segment profit/(loss)	33,767	(12,591)	(3,635)	(853)	(2,803)	(870)	13,015

As at 31 March 2020

	Toys HK\$'000	Computer products HK\$'000	Housewares HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment assets	361,176	125,369	58,591	98,417	78,149	105,239	826,941
Reportable segment liabilities	102,185	11,931	26,498	21,955	-	4,102	166,671

(c) **Reconciliations of reportable segment revenue, profit/(loss), assets and liabilities**

	Six months ended 30 September	
	2020	2019
	HK'000	HK\$'000
Revenue		
Reportable segment revenue	550,358	592,482
Elimination of inter-segment revenue	(1,337)	(1,525)
Consolidated revenue	549,021	590,957

	Six months ended 30 September	
	2020	2019
	HK'000	HK\$'000
Profit/(loss)		
Reported segment profit	36,672	13,015
Unallocated corporate income and expenses	(8,308)	(13,084)
Consolidated profit/(loss) before taxation	28,364	(69)

	At 30 September	At 31 March
	2020	2020
	HK'000	HK\$'000
Assets		
Reportable segment assets	969,806	826,941
Elimination of inter-segment receivables	(20,289)	(19,313)
	949,517	807,628
Current tax recoverable	145	185
Deferred tax assets	14,227	14,438
Unallocated corporate assets	48,912	53,974
Consolidated total assets	1,012,801	876,225

	At 30 September	At 31 March
	2020	2020
	HK'000	HK\$'000
Liabilities		
Reportable segment liabilities	227,973	166,671
Elimination of inter-segment payables	(20,289)	(19,313)
	207,684	147,358
Current tax payable	31,041	22,803
Deferred tax liabilities	31,988	16,805
Dividends payable to equity shareholders of the Company	18,135	-
Unallocated corporate liabilities	9,337	9,404
Consolidated total liabilities	298,185	196,370

4. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
(a) Finance cost		
Interest on bank loans and other borrowings	293	1,240
Interest on lease liabilities	202	156
	<u>495</u>	<u>1,396</u>
(b) Other items		
Depreciation		
- owned property, plant and equipment	11,586	15,790
- right-of-use assets	6,909	2,527
Net loss/(gain) on disposal of other property, plant and equipment	60	(1,201)
Net realised and unrealised (gains)/losses on trading securities	(4,881)	4,390
Net foreign exchange (gains)/losses	(2,336)	4,208
Staff costs, net of government subsidies of HK\$5,344,000 (2019: HK\$Nil)	189,724	222,693
Reversal of impairment loss on trade debtors	(1,183)	(1,441)
Interest income from		
- trading securities	-	(93)
- deposits with banks	(145)	(505)
- debtors	(4)	(59)
Rental income	(1,811)	(1,002)
Dividend income	(921)	(1,494)
	<u>(921)</u>	<u>(1,494)</u>

5. INCOME TAX

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Current tax - Hong Kong Profits Tax	7,936	2,777
Current tax - Outside Hong Kong	342	(625)
Deferred tax	211	5,510
	<u>8,489</u>	<u>7,662</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2019: 16.5%) to the six months ended 30 September 2020. Taxation for subsidiaries outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

6. DIVIDENDS

(a) Dividends payable to equity shareholders attributable to the interim period

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Interim dividend declared and paid after the interim period of HK3 cents (2019: HK2 cents) per share	<u>18,135</u>	<u>12,090</u>

The interim dividend has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders attributable to the previous financial year, approved but not yet paid during the interim period

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved but not yet paid during the interim period of HK3 cents (2019: HK3 cents) per share	<u>18,135</u>	<u>18,135</u>

7. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of HK\$20,474,000 (2019: loss of HK\$6,107,000) and the weighted average number of shares of 604,491,000 (2019: 604,491,000) in issue during the period.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share for the period ended 30 September 2020 is based on the profit attributable to equity shareholders of the Company of HK\$20,474,000 (2019: loss of HK\$6,107,000) and the weighted average number of shares of 604,491,000 (2019: 604,491,000).

Diluted earnings/(loss) per share for the periods ended 30 September 2020 and 2019 are same as the basic earnings/(loss) per share as the share options outstanding during the periods had an anti-dilutive effect on the basic earnings/(loss) per share.

8. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the period ended 30 September 2020, the Group entered into several new lease agreements and therefore recognised the additions to right-of-use assets of HK\$473,000 (2019: HK\$181,000).

In addition, the Group changed the use of certain properties from self-use to earning rental income and transferred these properties with carrying value of HK\$2,072,000 (2019: HK\$Nil) from ownership interest in land and buildings held for own use to investment properties. The resulting revaluation surplus (net of tax effect of HK\$14,511,000 (2019: HK\$Nil)) of HK\$20,385,000 (2019: HK\$Nil) as at the date of transfer has been recognised as other comprehensive income and credited to the property revaluation reserve in equity.

(b) Acquisitions and disposal of owned assets

During the period ended 30 September 2020, the Group acquired items of other property, plant and equipment with an aggregate cost of HK\$2,746,000 (2019: HK\$1,845,000).

Items of other property, plant and equipment with a net book value of HK\$60,000 (2019: HK\$16,000) were disposed of during the period ended 30 September 2020, resulting in a net loss on disposal of HK\$60,000 (2019: gain of HK\$1,201,000).

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and bills receivable (net of loss allowance) with the following ageing analysis as of the end of the reporting period:

	At 30 September 2020 HK\$'000	At 31 March 2020 HK\$'000
By date of invoice		
Within 3 months	238,902	86,942
4 to 6 months	1,903	6,683
7 to 12 months	1,470	290
13 to 24 months	-	12
Trade debtors and bills receivable	<u>242,275</u>	<u>93,927</u>
Deposits, prepayments and other receivables	<u>25,454</u>	<u>22,217</u>
	<u><u>267,729</u></u>	<u><u>116,144</u></u>

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. Trade debtors and bills receivable are normally due within 90 days from the date of billing. All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

10. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

Included in trade and other payables and contract liabilities are trade creditors and bills payable with the following ageing analysis as of the end of the reporting period:

	At 30 September 2020 HK\$'000	At 31 March 2020 HK\$'000
By date of invoice		
Within 1 month	18,901	14,936
Over 1 month but within 3 months	19,845	5,173
Over 3 months	1,695	2,314
Trade creditors and bills payable	40,441	22,423
Accruals and other payables	150,804	114,230
Contract liabilities - forward sale deposits	5,807	5,033
	197,052	141,686

All of the trade and other payables and contract liabilities are expected to be settled or recognised as income within one year.

11. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the directors proposed an interim dividend. Further details are disclosed in note 6.

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.

CONTINGENT LIABILITIES

As at 30 September 2020, 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 arise.

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.

EMPLOYEES

As at 30 September 2020, the number of employees of the Group was 151 (2019: 157) in Hong Kong, 3,469 (2019: 3,937) in Mainland China and 41 (2019: 53) in Europe. Total staff costs for the period under review amounted to HK\$189,724,000 (2019: HK\$222,693,000). The Group ensures that its employees' remuneration packages are competitive. Employees are rewarded based on their performance and experience and the prevailing industry practice.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2020.

AUDIT COMMITTEE

The audit committee reports to the board of directors and currently comprises three independent non-executive directors, namely Dr Ng Tze Kin David, being the chairman, Mr Lie-A-Cheong Tai Chong David and Mr Yeh Man Chun Kent. The audit committee meets with the Group's senior management and external auditors regularly to discuss audit matters. The audit committee also reviews the effectiveness of the risk management and internal control systems. The interim results of the Group have been reviewed by the audit committee of the Company.

REMUNERATION COMMITTEE

The remuneration committee comprises two independent non-executive directors, namely Dr Ng Tze Kin David, being the Chairman, and Mr Yeh Man Chun Kent and one executive director, namely Mr Shum Kam Hung. The terms of reference of the remuneration committee have been included on the Company's website.

NOMINATION COMMITTEE

The nomination committee consists of two executive directors, namely Mr Robert Dorfman, being the chairman, and Dr Cheung Tsang Kay Stan and three independent non-executive directors, namely Mr Lie-A-Cheong Tai Chong David, Mr Yeh Man Chun Kent and Dr Ng Tze Kin David. The primary roles of the nomination committee are to determine the policy for the nomination of directors, to review the structure, size and composition of the Board and to make recommendations to the Board on the appointment or re-appointment of directors.

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30 September 2020 with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules except that the independent non-executive directors are not appointed for a specific term, which deviates from the code provision A.4.1. However, the independent non-executive directors are subject to retirement from office by rotation under the requirements of the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

MODEL CODE

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Company's directors, all directors confirmed that they have complied with the required standards set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.heraldgroup.com.hk). The interim report of the Company for the six months ended 30 September 2020 containing all the information required by the Listing Rules will be dispatched to the shareholders and published on the same websites in due course.

By order of the Board
Robert Dorfman
Chairman

Hong Kong, 27 November 2020

As at the date of this announcement, the Board of Directors of the Company comprises the following directors:

Executive Directors:

Mr Robert Dorfman

Mr Shum Kam Hung ACIS, CPA

Dr Cheung Tsang Kay Stan PhD, Hon LLD, Hon DBA, JP

Independent Non-executive Directors:

Mr Lie-A-Cheong Tai Chong David SBS, OM, JP

Mr Yeh Man Chun Kent

Dr Ng Tze Kin David EdD, CA(AUST.), FCPA

**For identification only*