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## 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 2021

#### 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 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 September	
	Note	2021 HK\$'000	2020 HK\$'000 (Restated)
<b>Continuing operations</b>			
Revenue	3	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	4(a)	<u>(674)</u>	<u>(495)</u>
<b>(Loss)/profit before taxation</b>	4	<b>(36,059)</b>	26,604
Income tax	5	<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	11	<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>	
	<i>Note</i>	<b>2021</b>	<b>2020</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
			<b>(Restated)</b>
<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	<i>11</i>	<u>-</u>	<u>1,616</u>
		<b>(31,379)</b>	<b>20,474</b>
Non-controlling interests			
- Profit/(loss) for the period from continuing operations		<b>538</b>	(743)
- Profit for the period from discontinued operations	<i>11</i>	<u>-</u>	<u>144</u>
		<b>538</b>	<b>(599)</b>
<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>	<i>7</i>		
<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>	<b>3.39</b>
<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>	<b>3.39</b>

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 2021*

	<b>Six months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
		(Restated)
<b>(Loss)/profit for the period</b>	<u><b>(30,841)</b></u>	<u>19,875</u>
<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>	<u><b>3,240</b></u>	<u>33,021</u>
<b>Total comprehensive income for the period</b>	<u><b>(27,601)</b></u>	<u>52,896</u>
<b>Attributable to:</b>		
Equity shareholders of the Company		
- From continuing operations	(27,975)	32,956
- From discontinued operations	-	16,169
	<u>(27,975)</u>	<u>49,125</u>
Non-controlling interests		
- From continuing operations	374	(743)
- From discontinued operations	-	4,514
	<u>374</u>	<u>3,771</u>
<b>Total comprehensive income for the period</b>	<u><b>(27,601)</b></u>	<u>52,896</u>

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

		As at 30 September 2021 HK\$'000	As at 31 March 2021 HK\$'000
	<i>Note</i>		
<b>Non-current assets</b>			
Investment properties	8	102,645	101,526
Other property, plant and equipment	8	<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	9	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	10	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 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

	Note	As at 30 September 2021 HK\$'000	As at 31 March 2021 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 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>

### 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 29 November 2021.

The interim financial results have been prepared in accordance with the same accounting policies adopted in the 2020/2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021/2022 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 2021 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 2021 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 2021.

## 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. Of these, the following development is relevant to the Group’s financial statements:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

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.

## 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.
- 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.
- Housewares - discontinued operations : The sale and distribution of housewares.

As disclosed in note 11, the Group no longer carried on the business of housewares segment. The results of this segment have been classified as discontinued operations of the Group for the period ended 30 September 2020.

(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		
	Continuing operations		Discontinued operations
	2021	2020	2020
	HK\$'000	HK\$'000	HK\$'000
<b>Revenue from sales of goods within the scope of HKFRS 15</b>			
Disaggregated by major product lines			
- Toys	401,171	428,309	-
- Computer Products	61,520	36,157	-
- Timepieces	95,850	57,313	-
- Housewares	-	-	27,242
	<u>558,541</u>	<u>521,779</u>	<u>27,242</u>
	Six months ended 30 September		
	Continuing operations		Discontinued operations
	2021	2020	2020
	HK\$'000	HK\$'000	HK\$'000
Disaggregated by geographical location of customers			
- Hong Kong (place of domicile)	41,938	32,976	-
- North America	307,889	309,452	-
- United Kingdom	64,237	47,673	26,734
- Europe (excluding United Kingdom)	55,385	60,428	452
- Asia (excluding Mainland China and Hong Kong)	25,984	12,961	-
- Mainland China	30,904	25,037	56
- Others	32,204	33,252	-
	<u>516,603</u>	<u>488,803</u>	<u>27,242</u>
	<u>558,541</u>	<u>521,779</u>	<u>27,242</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 2021 and 2020 is set out below.

	Six months ended 30 September 2021					
	Toys HK\$'000	Computer products HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	Total HK\$'000
Revenue from external customer	401,171	61,520	95,850	-	-	558,541
Inter-segment revenue	-	-	-	-	1,337	1,337
Reportable segment revenue	401,171	61,520	95,850	-	1,337	559,878
Reportable segment (loss)/profit	(32,314)	(1,706)	8,151	(2,830)	899	(27,800)

  

	As at 30 September 2021					
	Toys HK\$'000	Computer products HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment assets	435,405	124,511	119,198	93,704	153,845	926,663
Reportable segment liabilities	187,053	23,530	37,337	-	2,055	249,975



Six months ended 30 September 2020 (Restated)

	Toys HK\$'000	Computer products HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	Continuing operations Sub-total HK\$'000	Housewares- discontinued operations HK\$'000	Total HK\$'000
Revenue from external customers	428,309	36,157	57,313	-	-	521,779	27,242	549,021
Inter-segment revenue	-	-	-	-	1,337	1,337	-	1,337
Reportable segment revenue	428,309	36,157	57,313	-	1,337	523,116	27,242	550,358
Reportable segment profit/(loss)	37,652	(4,569)	(3,163)	5,802	(810)	34,912	1,760	36,672

As at 31 March 2021

	Toys HK\$'000	Computer products HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	Continuing operations Sub-total HK\$'000	Housewares- discontinued operations HK\$'000	Total HK\$'000
Reportable segment assets	360,526	122,156	103,828	96,542	147,902	830,954	64,018	894,972
Reportable segment liabilities	105,193	18,418	29,061	-	1,286	153,958	30,702	184,660

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

	Six months ended 30 September	
	2021 HK'000	2020 HK\$'000 (Restated)
<b>Revenue</b>		
Reportable segment revenue	559,878	550,358
Elimination of inter-segment revenue	(1,337)	(1,337)
Elimination of discontinued operations	-	(27,242)
Consolidated revenue	<u>558,541</u>	<u>521,779</u>

	Six months ended 30 September	
	2021 HK'000	2020 HK\$'000 (Restated)
<b>(Loss)/profit</b>		
Reported segment (loss)/profit	(27,800)	36,672
Elimination of discontinued operations	-	(1,760)
Unallocated corporate income and expenses	(8,259)	(8,308)
Consolidated (loss)/profit before taxation	<u>(36,059)</u>	<u>26,604</u>

	At 30 September 2021 HK'000	At 31 March 2021 HK\$'000
	<b>Assets</b>	
Reportable segment assets	926,663	894,972
Elimination of inter-segment receivables	(78)	(19,082)
	<u>926,585</u>	<u>875,890</u>
Current tax recoverable	5,656	3,469
Deferred tax assets	22,868	17,077
Unallocated corporate assets	51,299	51,910
Consolidated total assets	<u>1,006,408</u>	<u>948,346</u>

	At 30 September 2021 HK'000	At 31 March 2021 HK\$'000
	<b>Liabilities</b>	
Reportable segment liabilities	249,975	184,660
Elimination of inter-segment payables	(78)	(19,082)
	<u>249,897</u>	<u>165,578</u>
Current tax payable	21,714	21,012
Deferred tax liabilities	35,190	34,714
Dividends payable to equity shareholders of the Company	18,135	-
Unallocated corporate liabilities	8,623	8,457
Consolidated total liabilities	<u>333,559</u>	<u>229,761</u>

#### 4. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
		(Restated)
<b>(a) Finance cost</b>		
Interest on bank loans and other borrowings	517	293
Interest on lease liabilities	157	202
	<u>674</u>	<u>495</u>
<b>(b) Other items</b>		
Depreciation		
- owned property, plant and equipment	9,956	11,325
- right-of-use assets	6,450	6,889
Net loss on disposal of other property, plant and equipment	287	66
Net realised and unrealised losses/(gains) on trading securities	3,988	(4,881)
Net foreign exchange losses/(gains)	338	(809)
Staff costs, net of government subsidies of HK\$Nil (2020: HK\$5,092,000)	252,482	186,018
Impairment loss/(reversal of impairment loss) on trade debtors	9	(1,183)
Interest income from		
- deposits with banks	(438)	(143)
- debtors	-	(4)
Rental income	(2,521)	(606)
Dividend income	(1,158)	(921)
	<u>(1,158)</u>	<u>(921)</u>

#### 5. INCOME TAX

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
		(Restated)
Current tax - Hong Kong Profits Tax	328	7,936
Current tax - Outside Hong Kong	245	342
Deferred tax	(5,791)	211
	<u>(5,218)</u>	<u>8,489</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2020: 16.5%) to the six months ended 30 September 2021. 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	
	2021	2020
	HK\$'000	HK\$'000
Interim dividend declared and paid after the interim period of HK3 cents (2020: HK3 cents) per share	<u>18,135</u>	<u>18,135</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	
	2021	2020
	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 (2020: HK3 cents) per share	<u>18,135</u>	<u>18,135</u>

## 7. (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to equity shareholders of the Company and the weighted average number of shares of 604,491,000 (2020: 604,491,000) in issue during the period.

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
(Loss)/profit attributable to equity shareholders of the Company arises from:		
- Continuing operations	(31,379)	18,858
- Discontinued operations	<u>-</u>	<u>1,616</u>
	<u>(31,379)</u>	<u>20,474</u>

### (b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the periods ended 30 September 2021 and 2020 are same as the basic (loss)/earnings per share as the share options outstanding during the periods had an anti-dilutive effect on the basic (loss)/earnings per share.

## 8. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

### (a) Right-of-use assets

During the period ended 30 September 2021, the Group entered into several new lease agreements and therefore recognised the additions to right-of-use assets of HK\$7,088,000 (2020: HK\$473,000).

During the period ended 30 September 2021, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19 and the amount of COVID-19 rent concessions was HK\$406,000. No rent concession was received during the period ended 30 September 2020.

### (b) Acquisitions and disposal of owned assets

During the period ended 30 September 2021, the Group acquired items of other property, plant and equipment with an aggregate cost of HK\$7,330,000 (2020: HK\$2,746,000).

Items of other property, plant and equipment with a net book value of HK\$852,000 (2020: HK\$60,000) were disposed of during the period ended 30 September 2021, resulting in a net loss on disposal of HK\$287,000 (2020: HK\$60,000).

## 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 2021 HK\$'000	At 31 March 2021 HK\$'000
<b>By date of invoice</b>		
Within 3 months	149,558	114,540
4 to 6 months	14,665	1,963
7 to 12 months	363	6
13 to 24 months	-	228
Trade debtors and bills receivable	<u>164,586</u>	<u>116,737</u>
Deposits, prepayments and other receivables	<u>32,648</u>	<u>45,223</u>
	<u><u>197,234</u></u>	<u><u>161,960</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 2021 HK\$'000	At 31 March 2021 HK\$'000
<b>By date of invoice</b>		
Within 1 month	21,278	14,079
Over 1 month but within 3 months	15,933	6,919
Over 3 months	844	1,544
Trade creditors and bills payable	38,055	22,542
Accruals and other payables	160,985	130,696
Contract liabilities - forward sale deposits	6,167	8,520
	<u>205,207</u>	<u>161,758</u>

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

## 11. DISCONTINUED OPERATIONS

During the year ended 31 March 2021, the Group ceased the operations and leased out or disposed of all the property, plant and equipment of the housewares segment. As the housewares segment is considered as a separate major line of business, the corresponding operations have been classified as discontinued operations as a result of the cessation of operations of this segment.

The results of the discontinued operations for the six months ended 30 September 2020 are set out below:

	Six months ended 30 September 2020 HK\$'000
<b>Revenue</b>	27,242
Cost of sales	<u>(21,717)</u>
<b>Gross profit</b>	5,525
Other revenue	1,268
Other net income	1,535
Selling expenses	(1,166)
Administrative expenses	<u>(5,402)</u>
<b>Profit from operations</b>	1,760
Income tax	<u>-</u>
<b>Profit for the period from discontinued operations</b>	<u>1,760</u>
<b>Attributable to:</b>	
Equity shareholders of the Company	1,616
Non-controlling interests	<u>144</u>
	<u>1,760</u>

## **12. 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.

## **13. COMPARATIVE FIGURES**

Certain comparative figures have been adjusted to conform to the disclosure requirement in respect of the discontinued operations set out in note 11. Accordingly, the comparative figures in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income have been restated as if the discontinued operations had been discontinued at the beginning of the prior year.

## **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.

## **CONTINGENT LIABILITIES**

As at 30 September 2021, 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 (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.

## **EMPLOYEES**

As at 30 September 2021, the number of employees of the Group was 142 (2020: 151) in Hong Kong, 5,751 (2020: 3,469) in Mainland China and 32 (2020: 41) in Europe. Total staff costs for the period under review amounted to HK\$252,482,000 (2020: HK\$189,724,000 (including both continuing and discontinued operations)). 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 2021.

## **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 2021 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](http://www.hkex.com.hk)) and the Company’s website ([www.heraldgroup.com.hk](http://www.heraldgroup.com.hk)). The interim report of the Company for the six months ended 30 September 2021 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, 29 November 2021

*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 ACG, 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*