



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 2017

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 2017, together with the comparative figures for the corresponding period in 2016, as follows:

Consolidated statement of profit or loss – Unaudited

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Revenue	741,552	649,893
Cost of sales	<u>(576,420)</u>	<u>(494,506)</u>
Gross profit	165,132	155,387
Other revenue	3,745	5,871
Other net income/(loss)	12,162	(2,326)
Selling expenses	(17,082)	(20,552)
Administrative expenses	(139,223)	(123,515)
Gain on disposal of non-current assets classified as held for sale	-	250,515
Profit from operations	24,734	265,380
Finance cost	<u>(1,167)</u>	<u>(115)</u>
Profit before taxation	23,567	265,265
Income tax	<u>(8,523)</u>	<u>(87,736)</u>
Profit for the period	15,044	177,529
Attributable to:		
Equity shareholders of the Company	16,830	106,909
Non-controlling interests	<u>(1,786)</u>	<u>70,620</u>
Profit for the period	15,044	177,529
Earnings per share		
Basic (HK cents)	<u>2.79</u>	<u>17.74</u>
Diluted (HK cents)	<u>2.79</u>	<u>17.73</u>

Consolidated statement of profit or loss and other comprehensive income - Unaudited*For the six months ended 30 September 2017*

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Profit for the period	15,044	177,529
Other comprehensive income for the period		
<i>Items 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>13,671</u>	<u>(9,435)</u>
Total comprehensive income for the period	<u>28,715</u>	<u>168,094</u>
Attributable to:		
Equity shareholders of the Company	30,264	97,650
Non-controlling interests	<u>(1,549)</u>	<u>70,444</u>
Total comprehensive income for the period	<u>28,715</u>	<u>168,094</u>

Consolidated statement of financial position - Unaudited*At 30 September 2017*

	As at 30 September 2017 HK\$'000	As at 31 March 2017 HK\$'000
Non-current assets		
Investment properties	12,635	12,300
Other property, plant and equipment	347,900	321,302
Interests in leasehold land held for own use under operating leases	3,747	3,809
	<u>364,282</u>	337,411
Intangible assets	1,931	1,965
Other financial assets	12,734	12,734
Deposits for purchase of property, plant and equipment	1,842	7,007
Deferred tax assets	24,384	25,276
	<u>405,173</u>	384,393
Current assets		
Trading securities	126,991	133,972
Inventories	225,043	182,770
Trade and other receivables	273,377	173,494
Pledged bank balances	618	14,636
Cash and cash equivalents	134,346	182,068
Current tax recoverable	75	4,247
	<u>760,450</u>	691,187
Current liabilities		
Trade and other payables	262,529	204,744
Bank loans	54,173	54,404
Current tax payable	7,800	4,983
Dividends payable to equity shareholders of the Company	24,180	-
	<u>348,682</u>	264,131
Net current assets	<u>411,768</u>	427,056
Total assets less current liabilities	<u>816,941</u>	811,449

Consolidated statement of financial position – Unaudited (Continued)

At 30 September 2017

	As at 30 September 2017 HK\$'000	As at 31 March 2017 HK\$'000
Non-current liabilities		
Deferred tax liabilities	6,049	7,032
Provision for long service payments	3,041	3,041
	<u>9,090</u>	<u>10,073</u>
NET ASSETS	<u>807,851</u>	<u>801,376</u>
CAPITAL AND RESERVES		
Share capital	47,150	46,994
Reserves	747,666	739,798
Total equity attributable to equity shareholders of the Company	794,816	786,792
Non-controlling interests	<u>13,035</u>	<u>14,584</u>
TOTAL EQUITY	<u>807,851</u>	<u>801,376</u>

BUSINESS REVIEW

The Group's revenue for the six months ended 30 September 2017 amounted to HK\$742 million which was up 14% from HK\$650 million in the corresponding period last year. The net profit attributable to the equity shareholders for the same period was HK\$16.8 million, representing a decline of 84% as compared with HK\$106.9 million a year earlier. The decrease in net profit was primarily attributable to the absence of a net gain on disposal of properties in Shenzhen attributable to the equity shareholders of approximately HK\$106.4 million last year (the "Disposal Gain"). Further analysis of the operating results is set out in the following paragraphs.

In the first half of the fiscal year, the Toys Division performed well with a 37% surge in half-yearly revenue to HK\$502 million from HK\$366 million a year earlier. The increase was mainly due to the strong sales of toys related to a popular movie which will be released in December 2017. Nevertheless, with the absence of the Disposal Gain, the first-half operating profit of the division dropped to HK\$40.9 million from HK\$283.1 million in the same period last year.

The performance of the Computer Products Division was not satisfactory with weak demand for smart connected devices during the six months under review. As compared with the same period last year, the half-yearly revenue of the division fell 15% from HK\$104 million to HK\$88 million. However, thanks to cost-cutting measures, the division's operating loss for the six months ended 30 September 2017 has shrunk to HK\$1.7 million from HK\$3.6 million a year earlier.

The business of the Housewares Division was negatively impacted by stiff competition among cookware manufacturers and rising material costs. For the period under review, the revenue of the division dropped 15% year-on-year from HK\$71 million to HK\$60 million while its operating loss edged down slightly to HK\$1.2 million from HK\$1.3 million in the year-ago period.

Amid a difficult retail environment, the revenue of the Timepieces Division for the six months ended 30 September 2017 fell 16% year-on-year from HK\$109 million to HK\$92 million. With escalating operating costs in Shanghai, the division terminated production at its joint venture factory there in July 2017 and incurred a loss of approximately HK\$3.7 million from termination payments for workers. Together with lower revenue, the division saw its half-yearly operating loss increase to HK\$21.1 million from HK\$6.7 million a year ago.

The Group recorded net realised and unrealised gains on trading securities of HK\$8.3 million for the period under review compared with gains of HK\$6.8 million a year ago. At 30 September 2017, the Group's trading securities decreased to HK\$127 million from HK\$134 million as at the beginning of the fiscal year.

PROSPECTS AND GENERAL OUTLOOK

The Toys Division has achieved satisfactory growth in the first half of the fiscal year. However, the division's orders at the end of October 2017 were not as strong as expected. There are indications that the sales of thin-film computer heads and motor actuator assemblies will pick up in the second half of the fiscal year, whereas the business of the Housewares Division remains soft. On the other hand, the management is aware of the challenging times ahead for the Timepieces Division and is working to streamline its operations and reduce costs.

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 2017, the Group's cash balances aggregated to HK\$135 million (at 31 March 2017: HK\$197 million).

At the end of September 2017, the Group's current assets amounted to HK\$760 million (at 31 March 2017: HK\$691 million) which included inventories of HK\$225 million (at 31 March 2017: HK\$183 million), trade and other receivables of HK\$273 million (at 31 March 2017: HK\$173 million) and trading securities of HK\$127 million (at 31 March 2017: HK\$134 million).

At 30 September 2017, the Group's current liabilities increased to HK\$349 million from HK\$264 million as at the beginning of the fiscal year. Bank loans consisted of revolving loans of HK\$44 million (at 31 March 2017: HK\$42 million) and a term loan of HK\$10 million (at 31 March 2017: two term loans totaling HK\$12 million). The revolving loans are due for repayment within one year, while the term loan is repayable by fixed monthly instalments with maturity date in August 2021. Certain trading securities, bank balances and properties amounting to HK\$168 million (at 31 March 2017: HK\$191 million) were pledged to the banks to secure the banking facilities of 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 2017 was 31% (at 31 March 2017: 25%). As at 30 September 2017, 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 2.62 at 31 March 2017. 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 1.08 from 1.24 at 31 March 2017.

DIVIDEND

The Directors have declared an interim dividend of HK3 cents per share (2016: HK4 cents). The total amount of dividend payment of HK\$18 million (2016: HK\$24 million) was based on the total number of shares in issue as at 28 November 2017, being the latest practicable date prior to the announcement of the interim results. The dividend will be paid on Friday, 12 January 2018 to shareholders registered in the Register of Members on Tuesday, 2 January 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed from Friday, 29 December 2017 to Tuesday, 2 January 2018, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 28 December 2017.

Herald Holdings Limited
Hong Kong, 29 November 2017

Contact Person:

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**For identification only*