



Herald Holdings Limited

Stock Code: 00114

2021/22
Interim Report

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Robert Dorfman *Chairman*
Shum Kam-Hung ACG, CPA
Managing Director
Cheung Tsang-Kay, Stan
PhD, Hon LLD, Hon DBA, JP

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lie-A-Cheong Tai-Chong, David SBS, OM, JP
Yeh Man-Chun, Kent
Ng Tze-Kin, David EdD, CA(AUST.), FCPA

SECRETARY

Lai Man-Pun ACG, ACS, CPA

PRINCIPAL BANKERS

China Construction Bank (Asia)
Corporation Limited
Fubon Bank (Hong Kong) Limited

AUDITORS

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered
in accordance with the Financial
Reporting Council Ordinance

SOLICITORS

Stephenson Harwood

PRINCIPAL OFFICE

3110, 31/F
Tower Two, Lippo Centre
89 Queensway
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited
4th Floor, North Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

HONG KONG SHARE REGISTRAR

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY'S WEBSITE

<http://www.heraldgroup.com.hk>

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	
		2021	2020
		HK\$'000	HK\$'000 (Restated)
Continuing operations			
Revenue	3	558,541	521,779
Cost of sales		(500,097)	(406,285)
		58,444	115,494
Gross profit			
Other revenue		5,237	2,271
Other net (loss)/income		(4,402)	5,646
Selling expenses		(7,861)	(5,181)
Administrative expenses		(86,803)	(91,131)
		(35,385)	27,099
(Loss)/profit from operations			
Finance cost	4(a)	(674)	(495)
		(36,059)	26,604
(Loss)/profit before taxation	4		
Income tax	5	5,218	(8,489)
		(30,841)	18,115
(Loss)/profit for the period from continuing operations			
Discontinued operations			
Profit for the period from discontinued operations	12	-	1,760
		(30,841)	19,875
(Loss)/profit for the period			

Consolidated statement of profit or loss – Unaudited (Continued)

For the six months ended 30 September 2021

		Six months ended 30 September	
Note	2021 HK\$'000	2020 HK\$'000 (Restated)	
Attributable to:			
	Equity shareholders of the Company		
	– (Loss)/profit for the period from continuing operations	(31,379)	18,858
12	– Profit for the period from discontinued operations	–	1,616
		(31,379)	20,474
<hr style="border-top: 1px dashed black;"/>			
	Non-controlling interests		
	– Profit/(loss) for the period from continuing operations	538	(743)
12	– Profit for the period from discontinued operations	–	144
		538	(599)
<hr style="border-top: 1px dashed black;"/>			
	(Loss)/profit for the period	(30,841)	19,875
<hr/>			
	(Loss)/earnings per share		
7	Basic (HK cents)		
	– From continuing operations	(5.19)	3.12
	– From discontinued operations	–	0.27
		(5.19)	3.39
<hr/>			
	Diluted (HK cents)		
	– From continuing operations	(5.19)	3.12
	– From discontinued operations	–	0.27
		(5.19)	3.39

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

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
		(Restated)
(Loss)/profit for the period	(30,841)	19,875
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\$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)	3,240	12,636
Other comprehensive income for the period	3,240	33,021
Total comprehensive income for the period	(27,601)	52,896
Attributable to:		
Equity shareholders of the Company		
– From continuing operations	(27,975)	32,956
– From discontinued operations	-	16,169
	(27,975)	49,125
Non-controlling interests		
– From continuing operations	374	(743)
– From discontinued operations	-	4,514
	374	3,771
Total comprehensive income for the period	(27,601)	52,896

Consolidated statement of financial position – Unaudited

At 30 September 2021

	Note	As at 30 September 2021 HK\$'000	As at 31 March 2021 HK\$'000
Non-current assets			
Investment properties	8	102,645	101,526
Other property, plant and equipment	8	250,934	251,995
		353,579	353,521
Intangible assets		1,038	1,056
Other financial assets		2,300	2,300
Deferred tax assets		22,868	17,077
		379,785	373,954
Current assets			
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		5,656	3,469
		626,623	574,392

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
Current liabilities			
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		18,135	–
		287,912	188,321
Net current assets			
		338,711	386,071
Total assets less current liabilities			
		718,496	760,025
Non-current liabilities			
Lease liabilities		9,232	5,501
Deferred tax liabilities		35,190	34,714
Provision for long service payments		1,225	1,225
		45,647	41,440
NET ASSETS			
		672,849	718,585

Consolidated statement of financial position – Unaudited (Continued)

At 30 September 2021

		As at 30 September 2021	As at 31 March 2021
	<i>Note</i>	HK\$'000	HK\$'000
CAPITAL AND RESERVES			
Share capital	11	47,150	47,150
Reserves		613,556	659,666
Total equity attributable to equity shareholders of the Company		660,706	706,816
Non-controlling interests		12,143	11,769
TOTAL EQUITY		672,849	718,585

Consolidated statement of changes in equity – Unaudited
 For the six months ended 30 September 2021

	Attributable to equity shareholders of the Company											
	Share capital	Share premium	Share capital	Contributed surplus	Capital reserve	Property revaluation reserve	Exchange reserve	PRC statutory reserve	Retained profit	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Note</i>												
Balance at 1 April 2021	47,150	20,928	53,891	813	43,958	18,197	18,068	503,811	706,816	11,769	718,585	
Changes in equity for the six months ended 30 September 2021:												
Loss for the period	-	-	-	-	-	-	-	(31,379)	(31,379)	538	(30,841)	
Other comprehensive income	-	-	-	-	-	3,404	-	-	3,404	(164)	3,240	
Total comprehensive income	-	-	-	-	-	3,404	-	(31,379)	(27,975)	374	(27,601)	
Dividends approved in respect of the previous year	-	-	-	-	-	-	-	(18,135)	(18,135)	-	(18,135)	
Balance at 30 September 2021	47,150	20,928	53,891	813	43,958	21,601	18,068	454,297	660,706	12,143	672,849	

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Consolidated statement of changes in equity – Unaudited (Continued)
For the six months ended 30 September 2021

	Attributable to equity shareholders of the Company											
	Share capital	Share premium	Share capital	Contributed surplus	Capital reserve	Property revaluation reserve	Exchange reserve	PRC statutory reserve	Retained profit	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2020	47,150	20,928	20,928	53,891	813	27,650	(2,224)	18,068	506,160	672,436	7,419	679,855
Changes in equity for the six months ended 30 September 2020:												
Profit for the period	-	-	-	-	-	-	-	-	20,474	20,474	(599)	19,875
Other comprehensive income	-	-	-	-	-	16,308	12,343	-	-	28,651	4,370	33,021
Total comprehensive income	-	-	-	-	-	16,308	12,343	-	20,474	49,125	3,771	52,896
Dividends approved in respect of the previous year	-	-	-	-	-	-	-	-	(18,135)	(18,135)	-	(18,135)
Balance at 30 September 2020	47,150	20,928	20,928	53,891	813	43,958	10,119	18,068	508,499	703,426	11,190	714,616

Condensed consolidated cash flow statement – Unaudited
For the six months ended 30 September 2021

	Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000
Operating activities		
Cash used in operations	(96,356)	(68,164)
Tax paid	(2,054)	–
Net cash used in operating activities	(98,410)	(68,164)
Investing activities		
Payment for the purchase of property, plant and equipment	(7,330)	(2,746)
Payment for the purchase of trading securities	(5,460)	–
Proceeds from the disposal of property, plant and equipment	16,851	–
Proceeds from the sale of trading securities	5,495	1,679
Other cash flows arising from investing activities	411	157
Net cash generated from/(used in) investing activities	9,967	(910)
Financing activities		
Capital element of lease rentals paid	(2,642)	(2,300)
Interest element of lease rentals paid	(157)	(202)
Proceeds from new bank loans	38,000	8,000
Repayment of bank loans	(1,092)	(1,280)
Other cash flows arising from financing activities	(517)	(293)
Net cash generated from financing activities	33,592	3,925
Net decrease in cash and cash equivalents	(54,851)	(65,149)
Cash and cash equivalents at 1 April	168,601	189,971
Effect of foreign exchange rates changes	207	3,563
Cash and cash equivalents at 30 September	113,957	128,385

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

The interim financial report has 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 report has 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 report 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 report is 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 report 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 12, 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.

(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	Computer products	Timepieces	Investments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	Computer products	Timepieces	Investments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	Computer products	Timepieces	Investments	Others	Continuing operations Sub-total	Housewares – discontinued operations	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	Computer products	Timepieces	Investments	Others	Continuing operations Sub-total	Housewares – discontinued operations	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	2020
	HK\$'000	HK\$'000 (Restated)
Revenue		
Reportable segment revenue	559,878	550,358
Elimination of inter-segment revenue	(1,337)	(1,337)
Elimination of discontinued operations	-	(27,242)
	<hr/>	<hr/>
Consolidated revenue	558,541	521,779
	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000 (Restated)
(Loss)/profit		
Reportable segment (loss)/profit	(27,800)	36,672
Elimination of discontinued operations	-	(1,760)
Unallocated corporate income and expenses	(8,259)	(8,308)
	<hr/>	<hr/>
Consolidated (loss)/profit before taxation	(36,059)	26,604

	At 30 September 2021 HK\$'000	At 31 March 2021 HK\$'000
Assets		
Reportable segment assets	926,663	894,972
Elimination of inter-segment receivables	(78)	(19,082)
	926,585	875,890
Current tax recoverable	5,656	3,469
Deferred tax assets	22,868	17,077
Unallocated corporate assets	51,299	51,910
Consolidated total assets	1,006,408	948,346
Liabilities		
Reportable segment liabilities	249,975	184,660
Elimination of inter-segment payables	(78)	(19,082)
	249,897	165,578
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	333,559	229,761

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)
(a) Finance cost		
Interest on bank loans and other borrowings	517	293
Interest on lease liabilities	157	202
	674	495
(b) Other items		
Depreciation		
– owned property, plant and equipment	9,956	11,325
– right-of-use assets	6,450	6,889
Net loss on disposal of 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)

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
	(5,218)	8,489

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	18,135	18,135

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	18,135	18,135

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 (Restated)
(Loss)/profit attributable to equity shareholders of the Company arises from:		
– Continuing operations	(31,379)	18,858
– Discontinued operations	–	1,616
	(31,379)	20,474

(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
By date of invoice		
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	164,586	116,737
Deposits, prepayments and other receivables	32,648	45,223
	197,234	161,960

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
By date of invoice		
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
	205,207	161,758

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

11. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Shares of US\$0.01 each	1,000,000	78,000
Issued and fully paid:		
At 1 April and 30 September 2021	604,491	47,150

12. 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
Revenue	27,242
Cost of sales	(21,717)
	<hr/>
Gross profit	5,525
Other revenue	1,268
Other net income	1,535
Selling expenses	(1,166)
Administrative expenses	(5,402)
	<hr/>
Profit from operations	1,760
Income tax	-
	<hr/>
Profit for the period from discontinued operations	<u>1,760</u>
Attributable to:	
Equity shareholders of the Company	1,616
Non-controlling interests	144
	<hr/>
	<u>1,760</u>

13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS
(a) Financial instruments carried at fair value
Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value as at 30 September 2021	Fair value measurements as at 30 September 2021 categorised into			Fair value as at 31 March 2021	Fair value measurements as at 31 March 2021 categorised into		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
		HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurement								
<i>Assets</i>								
Unlisted equity securities	2,300	-	-	2,300	2,300	-	-	2,300
Trading securities								
- listed equity securities	38,133	38,133	-	-	44,364	44,364	-	-
- unlisted managed funds	49,727	-	49,727	-	47,519	-	47,519	-
	90,160	38,133	49,727	2,300	94,183	44,364	47,519	2,300

During the six months ended 30 September 2020 and 2021, there were no transfers between different levels.

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(i) Valuation techniques and inputs used in Level 2 fair value measurements

The fair values of unlisted managed funds in Level 2 are based on prices quoted by financial institutions.

(ii) Information about Level 3 fair value measurements

	Valuation technique	Significant unobservable input	Percentage
Unlisted equity securities	Adjusted net assets value	Minority discount	25% (31 March 2021: 25%)

The fair value of unlisted equity securities is determined using the adjusted net assets value of the unlisted company adjusted for a minority discount. The fair value measurement is negatively correlated to the minority discount. As at 30 September 2021, it is estimated that with all other variables held constant, an increase/decrease in the minority discount by 5% (2020: 5%) would have increased/decreased the Group's loss before/after tax by HK\$157,000 (2020: decreased/increased the Group's profit before/after tax by HK\$147,000).

There is no movement in the balance of Level 3 fair value measurements during the periods ended 30 September 2020 and 2021.

The gain or loss arising from remeasurement of the Group's unlisted equity securities are recognised in profit or loss. Any gains or losses arising from the disposal of the unlisted equity securities are presented in the "Other net income" line item in the consolidated statement of profit or loss.

(b) Fair values of financial instruments carried at other than fair value

All financial instruments are carried at amounts not materially different from their fair values as at 30 September 2021 and 31 March 2021.

14. COMMITMENTS

The Group entered into contracts related to obtaining rights to distribute timepieces products under licences, which require the payment of minimum guaranteed royalties. At 30 September 2021, the future minimum guaranteed royalties for licences are payable as follows:

	At 30 September 2021 HK\$'000	At 31 March 2021 HK\$'000
Within 1 year	2,833	1,320
After 1 year but within 5 years	3,973	6,219
	6,806	7,539

15. MATERIAL RELATED PARTY TRANSACTIONS
Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors, is as follows:

	Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000
Short-term employee benefits	9,228	12,219
Post-employment benefits	787	748
	10,015	12,967

16. 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.

17. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to the disclosure requirement in respect of the discontinued operations set out in note 12. 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2021, the interests and short positions of directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Interests in issued shares

(Shares of US\$0.01 each of the Company)

	Number of shares				Percentage of total issued shares
	Personal interests	Interests of spouse	Other interests	Total	
Directors					
Dr Cheung Tsang-Kay, Stan	2,727,500	–	103,762,393 (Note (i), (ii))	106,489,893	17.62%
Mr Robert Dorfman	51,471,000	–	–	51,471,000	8.51%

Notes:

- (i) Dr Cheung Tsang-Kay, Stan is the founder of a family trust which owned 64,539,760 shares. His spouse and family members are the beneficiaries of this family trust.
- (ii) Dr Cheung Tsang-Kay, Stan is interested in 39,222,633 shares together with other family members.

All the interests stated above represent long positions.

An employee of the Group has been granted options under the Company's share option scheme, details of which are set out in the section "Share option scheme" below.

Apart from the foregoing, as at 30 September 2021, none of the directors or chief executives of the Company, any of their spouses or children under eighteen years of age had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company adopted a share option scheme ("the share option scheme") on 16 September 2013 for the primary purpose of motivating the eligible participants under the scheme to utilise their performance and efficiency for the benefit of the Group.

According to the share option scheme, the directors of the Company are authorised, at their discretion, to invite any director (including executive, non-executive or independent non-executive directors), employee, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any entity in which any member of the Group holds any interest, and any discretionary trust or company whose discretionary objects or owners include the aforementioned parties to take up options to subscribe for shares of the Company. Upon acceptance of an option, each eligible participant under the share option scheme is required to pay the Company HK\$1 within 21 days from the date of offer.

The share option scheme became effective on 16 September 2013 and remains in force for 10 years from that date. The exercise price of the options is at least the highest of (a) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average of the closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. Unless otherwise determined by the directors of the Company, there is no requirement of a minimum period for which an option must be held before it can be exercised. An option is exercisable at any time during such period to be notified by the directors of the Company to each grantee, but in any event not later than 10 years from the date of grant of the option. Each option gives the holder the right to subscribe for one share of US\$0.01 each in the Company.

The Company had granted share options to subscribe for 6,000,000 shares of the Company under the share option scheme up to the date of this report. The total number of shares available for issue under the share option scheme is 54,249,076 representing approximately 8.97% of the issued share capital of the Company as at the date of this report. In respect of the maximum entitlement of each participant under the share option scheme, the number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's shares in issue.

At 30 September 2021, an employee of the Group had the following interests in options to subscribe for shares of the Company (market value per share at 30 September 2021 was HK\$0.59) granted for a nominal consideration of HK\$1 for acceptance of the offer under the share option scheme of the Company. The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of the Company.

	No. of options outstanding at the beginning and at the end of the period	Date granted	Period during which options are exercisable	Exercise price per share	Market value per share at date of grant of options*
Employee	4,000,000	23 January 2015	23 January 2015 to 22 January 2025	HK\$0.97	HK\$0.97

* being the weighted average closing price of the Company's ordinary shares immediately before the dates on which the options were granted or exercised, as applicable.

No share options have been exercised, granted, lapsed or cancelled during the six months ended 30 September 2021.

Apart from the foregoing, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Other than the interests disclosed in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" in respect of directors, as at 30 September 2021, the persons or corporations (other than directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Interests in issued shares

(Shares of US\$0.01 each of the Company)

	Note	Number of shares			Total	Percentage of total issued shares
		Personal interests	Interests of spouse	Other interests		
Substantial shareholders						
Ms Ng Yiu-Chi, Eleanor	(i)	-	106,489,893	-	106,489,893	17.62%
Ms Cheung Yee, Alice	(ii)	30,281,424	-	39,222,633	69,504,057	11.50%
Moral Excel Holdings Ltd ("MEH")	(iii)	64,414,760	-	125,000	64,539,760	10.68%
HSBC International Trustee Ltd ("HIT")	(iii)	-	-	64,539,760	64,539,760	10.68%
Ms Chang Kan, Jane	(iv)	24,781,424	-	39,322,633	64,104,057	10.60%
Mr Tong Shek-King, Denny	(v)	-	64,004,057	100,000	64,104,057	10.60%
Other persons						
Mrs Sheri Tillman Dorfman	(vi)	-	51,471,000	-	51,471,000	8.51%
Mrs Mirriam Bloch		38,572,500	-	-	38,572,500	6.38%
Mr Gershon Dorfman		37,325,799	-	-	37,325,799	6.17%

Notes:

- (i) The entire interests in shares of 106,489,893 are duplicated by those disclosed under Dr Cheung Tsang-Kay, Stan, the spouse of Ms Ng Yiu-Chi, Eleanor, in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures".
- (ii) Ms Cheung Yee, Alice is interested in 39,222,633 shares together with Dr Cheung Tsang-Kay, Stan and Ms Chang Kan, Jane.
- (iii) MEH is a Company owned by a family trust which is interested in 64,539,760 shares, comprising 64,414,760 shares held by MEH and 125,000 shares held by its subsidiary company, as noted in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures". HIT, the trustee of this trust, is deemed to be interested in the 64,539,760 shares owned by this trust.
- (iv) Ms Chang Kan, Jane is interested in 39,222,633 shares together with Dr Cheung Tsang-Kay, Stan and Ms Cheung Yee, Alice. Ms Chang Kan, Jane is interested in another 100,000 shares with Mr Tong Shek-King, Denny.
- (v) These interests in shares are duplicated by those beneficially owned by Ms Chang Kan, Jane.
- (vi) These interests in shares are duplicated by those disclosed under Mr Robert Dorfman, the spouse of Mrs Sheri Tillman Dorfman, in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures".

All the interests stated above represent long positions.

Apart from the foregoing, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

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.

CHANGE IN DIRECTORS' INFORMATION

Changes in the particulars of the Directors are set out as follows:

Mr Lie-A-Cheong Tai-Chong, David retired as an independent non-executive director of Aluminum Corporation of China Limited, a company listed on the Stock Exchange, with effect from 29 June 2021.

Saved as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 report of the Group has 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 comprises 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. 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.

By order of the Board
Robert Dorfman
Chairman

Hong Kong, 29 November 2021