



# Herald Holdings Limited

Stock Code: 00114

**2022/23**  
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 *SBS, OM, JP*  
Yeh Man Chun *Kent*  
Ng Tze Kin *David EdD, CA(AUST.), FCPA*

### SECRETARY

Lai Man Pun *ACG, HKACG, 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  
17/F, Far East Finance Centre  
16 Harcourt Road  
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 2022, together with the comparative figures for the corresponding period in 2021, as follows:

### **Consolidated statement of profit or loss – Unaudited**

*For the six months ended 30 September 2022*

		<b>Six months ended 30 September</b>	
		<b>2022</b>	2021
		<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>	Note 3	<b>808,531</b>	558,541
Cost of sales		<b>(625,598)</b>	(500,097)
<b>Gross profit</b>		<b>182,933</b>	58,444
Other revenue		<b>5,356</b>	5,237
Other net loss		<b>(12,817)</b>	(4,402)
Selling expenses		<b>(6,895)</b>	(7,861)
Administrative expenses		<b>(102,420)</b>	(86,803)
<b>Profit/(loss) from operations</b>		<b>66,157</b>	(35,385)
Finance cost	4(a)	<b>(2,116)</b>	(674)
<b>Profit/(loss) before taxation</b>	4	<b>64,041</b>	(36,059)
Income tax	5	<b>(20,282)</b>	5,218
<b>Profit/(loss) for the period</b>		<b>43,759</b>	(30,841)

**Consolidated statement of profit or loss – Unaudited (Continued)**

*For the six months ended 30 September 2022*

		<b>Six months ended 30 September</b>	
	Note	<b>2022</b>	2021
		<b>HK\$'000</b>	HK\$'000
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>44,025</b>	(31,379)
Non-controlling interests		<b>(266)</b>	538
<b>Profit/(loss) for the period</b>		<b>43,759</b>	(30,841)
<b>Earnings/(loss) per share</b>			
Basic (HK cents)	7	<b>7.28</b>	(5.19)
Diluted (HK cents)		<b>7.28</b>	(5.19)

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 2022*

	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
<b>Profit/(loss) for the period</b>	<b>43,759</b>	(30,841)
<hr style="border-top: 1px dashed black;"/>		
<b>Other comprehensive income for the period</b>		
<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)	<b>(35,420)</b>	3,240
<b>Total comprehensive income for the period</b>	<b>8,339</b>	(27,601)
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>9,510</b>	(27,975)
Non-controlling interests	<b>(1,171)</b>	374
<b>Total comprehensive income for the period</b>	<b>8,339</b>	(27,601)

**Consolidated statement of financial position – Unaudited**

At 30 September 2022

	Note	As at 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
<b>Non-current assets</b>			
Investment properties	8	98,361	109,147
Other property, plant and equipment	8	232,465	246,493
		<b>330,826</b>	355,640
Intangible assets		1,004	1,022
Other financial assets		4,250	4,250
Deferred tax assets		9,944	31,851
		<b>346,024</b>	392,763
<b>Current assets</b>			
Trading securities		68,893	85,439
Inventories		202,605	254,866
Trade and other receivables	9	267,331	146,922
Pledged bank balances		2,517	990
Cash and cash equivalents		99,200	89,764
Current tax recoverable		1,719	1,719
		<b>642,265</b>	579,700
Non-current assets classified as held for sale	8(c)	980	–
		<b>643,245</b>	579,700

**Consolidated statement of financial position – Unaudited (Continued)**

At 30 September 2022

	Note	As at 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
<b>Current liabilities</b>			
Trade and other payables and contract liabilities	10	222,250	209,994
Bank loans		46,152	54,032
Lease liabilities		5,327	3,902
Current tax payable		23,755	26,131
Dividends payable to equity shareholders of the Company		18,135	–
		<b>315,619</b>	294,059
<b>Net current assets</b>			
		<b>327,626</b>	285,641
<b>Total assets less current liabilities</b>			
		<b>673,650</b>	678,404
<b>Non-current liabilities</b>			
Lease liabilities		17,439	8,354
Deferred tax liabilities		34,025	38,068
Provision for long service payments		1,142	1,142
		<b>52,606</b>	47,564
<b>NET ASSETS</b>			
		<b>621,044</b>	630,840

**Consolidated statement of financial position – Unaudited (Continued)**

At 30 September 2022

		<b>As at 30 September 2022</b>	As at 31 March 2022
	<i>Note</i>	<b>HK\$'000</b>	HK\$'000
<b>CAPITAL AND RESERVES</b>			
Share capital	11	47,150	47,150
Reserves		561,295	569,920
<b>Total equity attributable to equity shareholders of the Company</b>		<b>608,445</b>	617,070
<b>Non-controlling interests</b>		<b>12,599</b>	13,770
<b>TOTAL EQUITY</b>		<b>621,044</b>	630,840

**Consolidated statement of changes in equity – Unaudited**  
For the six months ended 30 September 2022

	Attributable to equity shareholders of the Company										Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Property revaluation reserve HK\$'000	Exchange reserve HK\$'000	PRC statutory reserve HK\$'000	Retained profit HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
Balance at 1 April 2022	47,150	20,928	53,891	813	43,958	25,868	18,068	406,394	617,070	13,770	630,840
<b>Changes in equity for the six months ended 30 September 2022:</b>											
Profit for the period	-	-	-	-	-	-	-	44,025	44,025	(266)	43,759
Other comprehensive income	-	-	-	-	-	(34,515)	-	-	(34,515)	(905)	(35,420)
Total comprehensive income	-	-	-	-	-	(34,515)	-	44,025	9,510	(1,171)	8,339
Dividends approved in respect of the previous year	-	-	-	-	-	-	-	(18,135)	(18,135)	-	(18,135)
<b>Balance at 30 September 2022</b>	47,150	20,928	53,891	813	43,958	(8,647)	18,068	432,284	608,445	12,599	621,044

Note

6

**Consolidated statement of changes in equity – Unaudited (Continued)**  
For the six months ended 30 September 2022

	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
Note	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 2021	47,150	20,928	813	53,891	813	43,958	18,197	18,068	503,811	706,816	11,769	718,685
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	6	-	-	-	-	-	-	-	(18,135)	(18,135)	-	(18,135)
Balance at 30 September 2021	47,150	20,928	813	53,891	813	43,958	21,601	18,068	454,297	680,706	12,143	672,849

**Condensed consolidated cash flow statement – Unaudited**

*For the six months ended 30 September 2022*

	<b>Six months ended 30 September</b>	
	<b>2022 HK\$'000</b>	2021 HK\$'000
<b>Operating activities</b>		
Cash generated from/(used in) operations	<b>29,302</b>	(96,356)
Tax paid	<b>(34)</b>	(2,054)
Net cash generated from/(used in) operating activities	<b>29,268</b>	(98,410)
<b>Investing activities</b>		
Payment for the purchase of property, plant and equipment	<b>(2,725)</b>	(7,330)
Payment for the purchase of trading securities	<b>(5,483)</b>	(5,460)
Proceeds from the disposal of property, plant and equipment	<b>41</b>	16,851
Proceeds from the sale of trading securities	<b>5,753</b>	5,495
Other cash flows arising from investing activities	<b>251</b>	411
Net cash (used in)/generated from investing activities	<b>(2,163)</b>	9,967
<b>Financing activities</b>		
Capital element of lease rentals paid	<b>(3,376)</b>	(2,642)
Interest element of lease rentals paid	<b>(474)</b>	(157)
Proceeds from new bank loans	<b>24,120</b>	38,000
Repayment of bank loans	<b>(32,000)</b>	(1,092)
Other cash flows arising from financing activities	<b>(1,642)</b>	(517)
Net cash (used in)/generated from financing activities	<b>(13,372)</b>	33,592
Net increase/(decrease) in cash and cash equivalents	<b>13,733</b>	(54,851)
Cash and cash equivalents at 1 April	<b>89,764</b>	168,601
Effect of foreign exchange rates changes	<b>(4,297)</b>	207
<b>Cash and cash equivalents at 30 September</b>	<b>99,200</b>	113,957

## 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 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021/2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022/2023 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 has been reviewed by the Company’s audit committee.

The financial information relating to the financial year ended 31 March 2022 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 2022 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 2022.

## **2. CHANGES IN ACCOUNTING POLICIES**

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group.

None of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## **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 five 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.



**(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 2022 and 2021 is set out below.

	Six months ended 30 September 2022					
	Toys	Computer products	Timepieces	Investments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customer	643,470	82,886	82,175	-	-	808,531
Inter-segment revenue	-	-	-	-	1,627	1,627
<b>Reportable segment revenue</b>	<b>643,470</b>	<b>82,886</b>	<b>82,175</b>	<b>-</b>	<b>1,627</b>	<b>810,158</b>
<b>Reportable segment profit/(loss)</b>	<b>76,067</b>	<b>4,045</b>	<b>6,250</b>	<b>(15,011)</b>	<b>987</b>	<b>72,338</b>
	As at 30 September 2022					
	Toys	Computer products	Timepieces	Investments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	463,086	136,965	113,407	75,660	145,827	934,945
Reportable segment liabilities	218,564	20,909	30,704	-	2,159	272,336

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	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 31 March 2022					
	Toys	Computer products	Timepieces	Investments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	416,609	135,118	105,635	90,679	159,722	907,763
Reportable segment liabilities	205,316	22,936	27,954	-	1,743	257,949

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

	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<b>HK'000</b>	HK\$'000
<b>Revenue</b>		
Reportable segment revenue	<b>810,158</b>	559,878
Elimination of inter-segment revenue	<b>(1,627)</b>	(1,337)
	<hr/>	<hr/>
Consolidated revenue	<b>808,531</b>	558,541
	<hr/>	<hr/>
	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<b>HK'000</b>	HK\$'000
<b>Profit/(loss)</b>		
Reportable segment profit/(loss)	<b>72,338</b>	(27,800)
Unallocated corporate expenses	<b>(8,297)</b>	(8,259)
	<hr/>	<hr/>
Consolidated profit/(loss) before taxation	<b>64,041</b>	(36,059)

	At 30 September 2022 HK'000	At 31 March 2022 HK\$'000
<b>Assets</b>		
Reportable segment assets	934,945	907,763
Elimination of inter-segment receivables	(159)	(165)
	<b>934,786</b>	907,598
Current tax recoverable	1,719	1,719
Deferred tax assets	9,944	31,851
Unallocated corporate assets	42,820	31,295
Consolidated total assets	<b>989,269</b>	972,463
<b>Liabilities</b>		
Reportable segment liabilities	272,336	257,949
Elimination of inter-segment payables	(159)	(165)
	<b>272,177</b>	257,784
Current tax payable	23,755	26,131
Deferred tax liabilities	34,025	38,068
Dividends payable to equity shareholders of the Company	18,135	–
Unallocated corporate liabilities	20,133	19,640
Consolidated total liabilities	<b>368,225</b>	341,623

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

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

	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
<b>(a) Finance cost</b>		
Interest on bank loans and other borrowings	1,642	517
Interest on lease liabilities	474	157
	<b>2,116</b>	674
<b>(b) Other items</b>		
Depreciation		
– owned property, plant and equipment	10,122	9,956
– right-of-use assets	6,793	6,450
Net (gain)/loss on disposal of other property, plant and equipment	(8)	287
Net realised and unrealised losses on trading securities	16,276	3,988
Net foreign exchange (gains)/losses	(3,418)	338
Staff costs, net of government subsidies of HK\$1,584,000 (2021: HK\$Nil)	274,549	252,482
Impairment loss on trade debtors	193	9
Interest income from deposits with banks	(513)	(438)
Rental income	(2,514)	(2,521)
Dividend income	(1,265)	(1,158)

**5. INCOME TAX**

	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Current tax – Hong Kong Profits Tax	<b>275</b>	328
Current tax – Outside Hong Kong	<b>165</b>	245
Deferred tax	<b>19,842</b>	(5,791)
	<b>20,282</b>	(5,218)

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2021: 16.5%) to the six months ended 30 September 2022, except for a subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax regime.

Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

**6. DIVIDENDS**

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

	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Interim dividend declared and payable after the interim period of HK3 cents (2021: HK3 cents) per share	<b>18,135</b>	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**

	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Final dividend in respect of the previous financial year, approved but not yet paid during the interim period of HK3 cents (2021: HK3 cents) per share	<b>18,135</b>	18,135

## 7. EARNINGS/(LOSS) PER SHARE

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

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to equity shareholders of the Company of HK\$44,025,000 (2021: loss of HK\$31,379,000) and the weighted average number of shares of 604,491,000 (2021: 604,491,000) in issue during the period.

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

Diluted earnings/(loss) per share for the periods ended 30 September 2022 and 2021 are same as the basic earnings/(loss) per share as the share options outstanding during the periods had an anti-dilutive effect on the basic earnings/(loss) per share.

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

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

During the period ended 30 September 2022, the Group entered into several new lease agreements and therefore recognised the additions to right-of-use assets of HK\$16,463,000 (2021: HK\$7,088,000).

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

During the period ended 30 September 2022, the Group acquired items of other property, plant and equipment with an aggregate cost of HK\$2,725,000 (2021: HK\$7,330,000).

Items of other property, plant and equipment with a net book value of HK\$33,000 (2021: HK\$852,000) were disposed of during the period ended 30 September 2022, resulting in a net gain on disposal of HK\$8,000 (2021: loss of HK\$287,000).

### (c) Non-current assets classified as held for sale

During the period ended 30 September 2022, the Group entered into a provisional sale and purchase agreement with a third party, pursuant to which the Group agreed to dispose of a property at a consideration of HK\$23,790,000. The property is located in Hong Kong within the Others segment with a carrying amount of HK\$980,000. Accordingly, the property is presented as non-current assets held for sale in the consolidated statement of financial position. The disposal is expected to be completed on 30 November 2022.

## 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:

	<b>At 30 September 2022 HK\$'000</b>	At 31 March 2022 HK\$'000
<b>By date of invoice</b>		
Within 3 months	<b>244,902</b>	112,366
4 to 6 months	<b>3,794</b>	3,269
7 to 12 months	<b>466</b>	4,658
13 to 24 months	<b>-</b>	24
Trade debtors and bills receivable, net of loss allowance	<b>249,162</b>	120,317
Deposits, prepayments and other receivables	<b>18,169</b>	26,605
	<b>267,331</b>	146,922

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:

	<b>At 30 September 2022 HK\$'000</b>	At 31 March 2022 HK\$'000
<b>By date of invoice</b>		
Within 1 month	<b>12,523</b>	22,878
Over 1 month but within 3 months	<b>21,191</b>	10,174
Over 3 months	<b>324</b>	3,348
Trade creditors and bills payable	<b>34,038</b>	36,400
Accruals and other payables	<b>181,085</b>	164,314
Contract liabilities – forward sale deposits	<b>7,127</b>	9,280
	<b>222,250</b>	209,994

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**

	<b>Number of shares '000</b>	<b>Amount HK\$'000</b>
<b>Authorised:</b>		
Shares of US\$0.01 each	<b>1,000,000</b>	<b>78,000</b>
<b>Issued and fully paid:</b>		
At 1 April and 30 September 2022	<b>604,491</b>	<b>47,150</b>

## 12. 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 2022				Fair value as at 31 March 2022			
	Fair value measurements as at 30 September 2022 categorised into				Fair value measurements as at 31 March 2022 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	HK\$'000	HK\$'000
<b>Recurring fair value measurement</b>								
<i>Assets</i>								
Trading securities								
- listed equity securities	29,595	29,595	-	-	37,715	37,715	-	-
- unlisted managed funds	39,298	-	39,298	-	47,724	-	47,724	-
Unlisted equity securities	4,250	1,950	-	2,300	4,250	1,950	-	2,300
	<b>73,143</b>	<b>31,545</b>	<b>39,298</b>	<b>2,300</b>	<b>89,689</b>	<b>39,665</b>	<b>47,724</b>	<b>2,300</b>

During the six months ended 30 September 2021 and 2022, 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) Estimation of fair values**

The fair values of listed equity securities are based on quoted market prices at the end of the reporting period without any deduction for transaction costs. The fair values of unlisted managed funds 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	24% (31 March 2022: 24%)

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 2022, it is estimated that with all other variables held constant, an increase/decrease in the minority discount by 5% (2021: 5%) would have decreased/increased the Group's profit before/after tax by HK\$171,000 (2021: increased/decreased the Group's loss before/after tax by HK\$157,000).

There is no movement in the balance of Level 3 fair value measurements during the periods ended 30 September 2021 and 2022.

The gain or loss arising from the 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 loss" 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 2022 and 31 March 2022.

### 13. 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 2022, the future minimum guaranteed royalties for licences are payable as follows:

	<b>At 30 September 2022 HK\$'000</b>	<b>At 31 March 2022 HK\$'000</b>
Within 1 year	<b>2,272</b>	2,669
After 1 year but within 5 years	<b>1,213</b>	2,854
	<b>3,485</b>	5,523

### 14. MATERIAL RELATED PARTY TRANSACTIONS

#### Key management personnel remuneration

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

	<b>Six months ended 30 September</b>	
	<b>2022 HK\$'000</b>	<b>2021 HK\$'000</b>
Short-term employee benefits	<b>13,026</b>	9,228
Post-employment benefits	<b>763</b>	787
	<b>13,789</b>	10,015

### 15. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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

## **BUSINESS REVIEW**

The Group's revenue for the six months ended 30 September 2022 amounted to HK\$809 million which was up 45% from HK\$559 million in the corresponding period last year. The Group reported a net profit attributable to the equity shareholders of HK\$44.0 million for the period under review as compared with a net loss of HK\$31.4 million a year earlier. The turnaround was mainly attributable to the strong performance of the Toys Division. Further analysis of the operating results is set out in the following paragraphs.

Driven by higher demand for toys as COVID-19 restrictions eased, the Toys Division saw its first-half revenue reach a record high of HK\$643 million, representing a surge of 60% from HK\$401 million last year. Together with price adjustments and productivity improvement, the division recorded an operating profit of \$76.1 million for the six months ended 30 September 2022 as compared with an operating loss of HK\$32.3 million a year earlier.

We are pleased to report that the Computer Products Division returned to profitability in the period under review. With the strong sales of smart connected devices, the division's first-half revenue increased 35% year-on-year to HK\$83 million from HK\$62 million last year. In comparison with an operating loss of HK\$1.7 million in the year-ago period, the division recorded an operating profit of HK\$4 million for the six months ended 30 September 2022.

The business of the Timepieces Division slowed down with a 14% drop in half-yearly revenue to HK\$82 million from HK\$96 million a year earlier. The revenue decline was mainly due to fewer promotion programmes and weaker demand in the United Kingdom, the division's largest market, which is facing a cost-of-living crisis driven by high inflation and surging energy prices. For the first half of the financial year, the division's operating profit decreased to HK\$6.3 million from HK\$8.2 million in the previous year.

In the midst of volatile stock markets stirred by interest rate hikes, soaring inflation and geopolitical tensions, the Group recorded net realised and unrealised losses on trading securities of HK\$16.3 million for the period under review (2021: net losses of HK\$4 million). At 30 September 2022, the Group's trading securities decreased to HK\$69 million from HK\$85 million as at the beginning of the financial year.

## PROSPECTS AND GENERAL OUTLOOK

The Group's overall orders at the end of October 2022 fell 39% from those at the same time last year. Amid fears of a downturn in the global economy, the management is concerned about the Group's performance in the second half of the financial year. As customers placed their orders earlier this year, the business of the Toys Division has slowed down since October 2022. We are also cautious about the business of the Computer Products Division as a major customer has temporarily delayed shipments of certain products because of overstocking. On the other hand, the business of the Timepieces Division remains stable despite weak consumer spending.

## LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group continued to exercise prudence in managing its financial resources. As in the past, the Group maintains a sound liquidity position. At 30 September 2022, the Group's cash balances aggregated to HK\$102 million (at 31 March 2022: HK\$91 million).

At the end of September 2022, the Group's current assets amounted to HK\$643 million (at 31 March 2022: HK\$580 million) which included inventories of HK\$203 million (at 31 March 2022: HK\$255 million), trade and other receivables of HK\$267 million (at 31 March 2022: HK\$147 million) and trading securities of HK\$69 million (at 31 March 2022: HK\$85 million).

At 30 September 2022, the Group's current liabilities amounted to HK\$316 million (at 31 March 2022: HK\$294 million) which included revolving bank loans of HK\$46 million (at 31 March 2022: HK\$54 million). Certain trading securities and bank deposits amounting to HK\$69 million (at 31 March 2022: HK\$84 million), along with certain properties with a carrying amount of HK\$47 million (at 31 March 2022: HK\$49 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 2022 was 37% (at 31 March 2022: 35%). At 30 September 2022, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 2.04 as compared to 1.97 at 31 March 2022. The quick ratio, another ratio that gauges the short-term liquidity and measured by trade debtors and bills receivable and cash and cash equivalents over current liabilities, increased to 1.10 from 0.71 at 31 March 2022.

## **CONTINGENT LIABILITIES**

As at 30 September 2022, 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 arises.

## **DIVIDEND**

The Directors have declared an interim dividend of HK3 cents per share (2021: HK3 cents). The total amount of dividend payment of HK\$18 million (2021: HK\$18 million) was based on the total number of shares in issue as at 28 November 2022, being the latest practicable date prior to the announcement of the interim results. The dividend will be paid on Wednesday, 18 January 2023 to shareholders registered in the Register of Members on Thursday, 5 January 2023.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed from Wednesday, 4 January 2023 to Thursday, 5 January 2023, both days inclusive, during which period no transfer of shares will be effected. In order to be qualified for the interim dividend, shareholders should ensure that all transfers of shares, accompanied by the relevant share certificates, are lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 3 January 2023.

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

As at 30 September 2022, 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			Total	Percentage of total issued shares
	Personal interests	Interests of spouse	Other interests		
<b>Directors</b>					
Dr Cheung Tsang-Kay Stan	2,727,500	–	103,912,393 <i>(Note (i), (ii))</i>	106,639,893	17.64%
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 64,689,760 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 2022, 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.

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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 upon exercise of all shares options to be granted under the share option scheme is 54,249,076 shares 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 2022, 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 2022 was HK\$0.43) 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.

	<b>No. of options outstanding at the beginning and at the end of the period</b>	<b>Date granted</b>	<b>Period during which options are exercisable</b>	<b>Exercise price per share</b>	<b>Market value per share at date of grant of options*</b>
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 2022.

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 2022, 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		
<b>Substantial shareholders</b>						
Ms Ng Yiu-Chi Eleanor	(i)	–	106,639,893	–	106,639,893	17.64%
Ms Cheung Yee Alice	(ii)	30,281,424	–	39,222,633	69,504,057	11.50%
Moral Excel Holdings Ltd ("MEH")	(iii)	64,689,760	–	–	64,689,760	10.70%
HSBC International Trustee Ltd ("HIT")	(iii)	–	–	64,689,760	64,689,760	10.70%
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%
<b>Other persons</b>						
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%
Ms Trina Elaine Dingler	(vii)	–	37,325,799	–	37,325,799	6.17%

*Notes:*

- (i) The entire interests in shares of 106,639,893 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 64,689,760 shares held by MEH, 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 64,689,760 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".
- (vii) These interests in shares are duplicated by those beneficially owned by Mr Gershon Dorfman.

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 2022, the number of employees of the Group was 138 (2021: 142) in Hong Kong, 3,961 (2021: 5,751) in Mainland China and 33 (2021: 32) in Europe. Total staff costs for the period under review amounted to HK\$274,549,000 (2021: HK\$252,482,000). The Group ensures that its employees' remuneration packages are competitive. Employees are rewarded based on their performance and experience and the prevailing industry practice.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2022.

## **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 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 2022 with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

## **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 2022