



Herald Holdings Limited

Stock Code: 00114

2020/21
Interim Report

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Robert Dorfman *Chairman*
Shum Kam-Hung ACIS, 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 ACIS, ACS, CPA

PRINCIPAL BANKERS

China Construction Bank (Asia)
Corporation Limited
The Hong Kong and Shanghai Banking
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 2020, together with the comparative figures for the corresponding period in 2019, as follows:

Consolidated statement of profit or loss – Unaudited

For the six months ended 30 September 2020

		Six months ended 30 September	
		2020	2019
	Note	HK\$' 000	HK\$' 000
Revenue	3	549,021	590,957
Cost of sales		(428,002)	(470,841)
Gross profit		121,019	120,116
Other revenue		3,539	3,485
Other net income/(loss)		7,181	(7,549)
Selling expenses		(6,347)	(8,983)
Administrative expenses		(96,533)	(105,742)
Profit from operations		28,859	1,327
Finance cost	4(a)	(495)	(1,396)
Profit/(loss) before taxation	4	28,364	(69)
Income tax	5	(8,489)	(7,662)
Profit/(loss) for the period		19,875	(7,731)

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

		Six months ended 30 September	
		2020	2019
		HK\$' 000	HK\$' 000
	<i>Note</i>		
Attributable to:			
Equity shareholders of the Company		20,474	(6,107)
Non-controlling interests		(599)	(1,624)
Profit/(loss) for the period		19,875	(7,731)
Earnings/(loss) per share			
Basic (HK cents)	7	3.39	(1.01)
Diluted (HK cents)		3.39	(1.01)

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

Consolidated statement of profit or loss and other comprehensive income – Unaudited
For the six months ended 30 September 2020

	Six months ended 30 September	
	2020	2019
	HK\$' 000	HK\$' 000
Profit/(loss) for the period	19,875	(7,731)
Other comprehensive income for the period		
<i>Item that will not be reclassified to profit or loss:</i>		
Surplus on revaluation of land and buildings held for own use upon change of use to investment properties (net of tax effect of HK\$14,511,000 (2019: HK\$Nil))	20,385	–
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong (no tax effect)	12,636	(19,633)
Other comprehensive income for the period	33,021	(19,633)
Total comprehensive income for the period	52,896	(27,364)
Attributable to:		
Equity shareholders of the Company	49,125	(25,607)
Non-controlling interests	3,771	(1,757)
Total comprehensive income for the period	52,896	(27,364)

Consolidated statement of financial position – Unaudited*At 30 September 2020*

	<i>Note</i>	As at 30 September 2020 HK\$' 000	As at 31 March 2020 HK\$' 000
Non-current assets			
Investment properties	8	94,029	55,181
Other property, plant and equipment	8	262,267	272,233
		356,296	327,414
Intangible assets		1,073	1,090
Other financial assets		2,300	2,300
Deferred tax assets		14,227	14,438
		373,896	345,242
Current assets			
Trading securities		78,031	74,829
Inventories		162,682	148,834
Trade and other receivables	9	267,729	116,144
Pledged bank balances		1,933	1,020
Cash and cash equivalents		128,385	189,971
Current tax recoverable		145	185
		638,905	530,983

Consolidated statement of financial position – Unaudited (Continued)

At 30 September 2020

	Note	As at 30 September 2020 HK\$' 000	As at 31 March 2020 HK\$' 000
Current liabilities			
Trade and other payables and contract liabilities	10	197,052	141,686
Bank loans		10,388	3,668
Lease liabilities		4,664	5,303
Current tax payable		31,041	22,803
Dividends payable to equity shareholders of the Company		18,135	–
		261,280	173,460
Net current assets			
		377,625	357,523
Total assets less current liabilities			
		751,521	702,765
Non-current liabilities			
Lease liabilities		3,584	4,772
Deferred tax liabilities		31,988	16,805
Provision for long service payments		1,333	1,333
		36,905	22,910
NET ASSETS			
		714,616	679,855

Consolidated statement of financial position – Unaudited (Continued)*At 30 September 2020*

		As at 30 September 2020	As at 31 March 2020
	<i>Note</i>	HK\$' 000	HK\$' 000
CAPITAL AND RESERVES			
Share capital	11	47,150	47,150
Reserves		656,276	625,286
Total equity attributable to equity shareholders of the Company		703,426	672,436
Non-controlling interests		11,190	7,419
TOTAL EQUITY		714,616	679,855

Consolidated statement of changes in equity – Unaudited

For the six months ended 30 September 2020

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Share 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
<i>Note</i>											
Balance at 1 April 2020	47,150	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	53,891	813	43,958	10,119	18,068	508,499	703,426	11,190	714,616

Consolidated statement of changes in equity – Unaudited (Continued)
 For the six months ended 30 September 2020

		Attributable to equity shareholders of the Company										
		Share capital	Share premium	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
Balance at 1 April 2019		47,150	20,928	53,891	813	27,650	12,664	18,068	527,587	708,751	9,888	718,439
Changes in equity for the six months ended 30 September 2019:												
Loss for the period		-	-	-	-	-	-	-	(6,107)	(6,107)	(1,624)	(7,731)
Other comprehensive income		-	-	-	-	-	(19,500)	-	-	(19,500)	(133)	(19,633)
Total comprehensive income		-	-	-	-	-	(19,500)	-	(6,107)	(25,607)	(1,757)	(27,364)
Dividends approved in respect of the previous year	6	-	-	-	-	-	-	-	(18,135)	(18,135)	-	(18,135)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(362)	(362)
Balance at 30 September 2019		47,150	20,928	53,891	813	27,650	(6,836)	18,068	503,345	665,009	7,569	672,578

Condensed consolidated cash flow statement – Unaudited*For the six months ended 30 September 2020*

	Six months ended 30 September	
	2020	2019
	HK\$' 000	HK\$' 000
Operating activities		
Cash used in operations	(68,164)	(19,741)
Tax refunded	–	89
Net cash used in operating activities	(68,164)	(19,652)
Investing activities		
Payment for the purchase of property, plant and equipment	(2,746)	(1,845)
Payment for the purchase of trading securities	–	(5,244)
Proceeds from the sale of trading securities	1,679	5,185
Other cash flows arising from investing activities	157	2,576
Net cash (used in)/generated from investing activities	(910)	672
Financing activities		
Capital element of lease payments	(2,300)	(1,823)
Interest element of lease payments	(202)	(156)
Proceeds from new bank loans	8,000	–
Repayment of bank loans	(1,280)	(3,636)
Other cash flows arising from financing activities	(293)	(1,602)
Net cash generated from/(used in) financing activities	3,925	(7,217)
Decrease in cash and cash equivalents	(65,149)	(26,197)
Cash and cash equivalents at 1 April	189,971	186,606
Effect of foreign exchange rates changes	3,563	(3,596)
Cash and cash equivalents at 30 September	128,385	156,813

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 27 November 2020.

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

The preparation of the interim financial 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 2020 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 2020 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 June 2020.

2. CHANGES IN ACCOUNTING POLICIES

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

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

3. REVENUE AND SEGMENT REPORTING

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

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

(a) Disaggregation of revenue

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

	Six months ended 30 September	
	2020	2019
	HK\$' 000	HK\$' 000
Revenue from sales of goods within the scope of HKFRS 15		
Disaggregated by major product lines		
– Toys	428,309	445,144
– Computer Products	36,157	51,925
– Housewares	27,242	31,957
– Timepieces	57,313	61,931
	549,021	590,957

	Six months ended 30 September	
	2020	2019
	HK\$' 000	HK\$' 000
Disaggregated by geographical location of customers		
– Hong Kong (place of domicile)	32,976	28,931
– North America	309,452	323,037
– United Kingdom	74,407	83,572
– Europe (excluding United Kingdom)	60,880	63,805
– Asia (excluding Mainland China and Hong Kong)	12,961	19,658
– Mainland China	25,093	36,608
– Others	33,252	35,346
	516,045	562,026
	549,021	590,957

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

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

	Six months ended 30 September 2020						
	Computer		Housewares	Timepieces	Investments	Others	Total
	Toys	products					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customer	428,309	36,157	27,242	57,313	-	-	549,021
Inter-segment revenue	-	-	-	-	-	1,337	1,337
Reportable segment revenue	428,309	36,157	27,242	57,313	-	1,337	550,358
Reportable segment profit/(loss)	37,652	(4,569)	1,760	(3,163)	5,802	(810)	36,672
	As at 30 September 2020						
	Computer		Housewares	Timepieces	Investments	Others	Total
	Toys	products					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	455,497	125,085	101,324	100,602	82,264	105,034	969,806
Reportable segment liabilities	151,235	15,445	32,330	26,416	-	2,547	227,973

Six months ended 30 September 2019

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

As at 31 March 2020

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

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

	Six months ended 30 September	
	2020	2019
	HK' 000	HK\$' 000
Revenue		
Reportable segment revenue	550,358	592,482
Elimination of inter-segment revenue	(1,337)	(1,525)
Consolidated revenue	549,021	590,957
	Six months ended 30 September	
	2020	2019
	HK' 000	HK\$' 000
Profit/(loss)		
Reported segment profit	36,672	13,015
Unallocated corporate income and expenses	(8,308)	(13,084)
Consolidated profit/(loss) before taxation	28,364	(69)

	At 30 September 2020 HK' 000	At 31 March 2020 HK\$' 000
Assets		
Reportable segment assets	969,806	826,941
Elimination of inter-segment receivables	(20,289)	(19,313)
	949,517	807,628
Current tax recoverable	145	185
Deferred tax assets	14,227	14,438
Unallocated corporate assets	48,912	53,974
Consolidated total assets	1,012,801	876,225
Liabilities		
Reportable segment liabilities	227,973	166,671
Elimination of inter-segment payables	(20,289)	(19,313)
	207,684	147,358
Current tax payable	31,041	22,803
Deferred tax liabilities	31,988	16,805
Dividends payable to equity shareholders of the Company	18,135	–
Unallocated corporate liabilities	9,337	9,404
Consolidated total liabilities	298,185	196,370

4. PROFIT/(LOSS) BEFORE TAXATION

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

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

5. INCOME TAX

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

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

6. DIVIDENDS

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

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

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

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

	Six months ended 30 September	
	2020 HK\$' 000	2019 HK\$' 000
Final dividend in respect of the previous financial year, approved but not yet paid during the interim period of HK3 cents (2019: HK3 cents) per share	18,135	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 attributable to equity shareholders of the Company of HK\$20,474,000 (2019: loss of HK\$6,107,000) and the weighted average number of shares of 604,491,000 (2019: 604,491,000) in issue during the period.

(b) Diluted earnings/(loss) per share

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

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

8. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

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

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

(b) Acquisitions and disposal of owned assets

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

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

9. TRADE AND OTHER RECEIVABLES

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

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

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

10. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

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

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

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

11. 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 2020	604,491	47,150

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 2020				Fair value as at 31 March 2020	Fair value measurements as at 31 March 2020 categorised into		
	Fair value measurements as at 30 September 2020 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	
Recurring fair value measurement								
<i>Assets</i>								
Unlisted equity securities	2,300	-	-	2,300	2,300	-	-	2,300
Trading securities								
- listed debt and equity securities	35,117	35,117	-	-	35,445	35,445	-	-
- unlisted managed funds	42,914	-	42,914	-	39,384	-	39,384	-
	80,331	35,117	42,914	2,300	77,129	35,445	39,384	2,300

During the six months ended 30 September 2019 and 2020, 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	23% (31 March 2020: 23%)

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 2020, it is estimated that with all other variables held constant, an increase/decrease in the minority discount by 5% (2019: 5%) would have increased/decreased the Group's profit or loss before/after tax by HK\$147,000 (2019: HK\$154,000).

There is no movement in the balance of Level 3 fair value measurements during the periods ended 30 September 2019 and 2020.

The gain or loss arising from the remeasurement of the Group's unlisted equity securities are recognised in profit or loss. Upon disposal of the equity securities, any gains or losses arising from the disposal 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 2020 and 31 March 2020.

13. COMMITMENTS

- (a) Capital commitments outstanding at 30 September 2020 not provided for were as follows:

	At 30 September 2020 HK\$' 000	At 31 March 2020 HK\$' 000
Contracted for the purchase of property, plant and equipment	1,291	539

- (b) 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 2020, the future minimum guaranteed royalties for licences are payable as follows:

	At 30 September 2020 HK\$' 000	At 31 March 2020 HK\$' 000
Within 1 year	3,733	3,737
After 1 year but within 5 years	6,457	–
	10,190	3,737

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:

	Six months ended 30 September	
	2020	2020
	HK\$' 000	HK\$' 000
Short-term employee benefits	12,219	9,348
Post-employment benefits	748	733
	12,967	10,081

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 2020 amounted to HK\$549 million which was down 7% from HK\$591 million in the corresponding period last year. The Group reported a net profit attributable to the equity shareholders of HK\$20.5 million for the period under review as compared with a net loss of HK\$6.1 million a year earlier. The turnaround was mainly due to savings achieved through vigorous cost control measures, net realised and unrealised gains on trading securities of HK\$4.9 million (2019: net losses of HK\$4.4 million) and net exchange gains of HK\$2.3 million (2019: net losses of HK\$4.2 million). Further analysis of the operating results is set out in the following paragraphs.

The Toys Division started the current financial year with a strong order position. However, several customers cancelled orders and postponed shipments of certain products amid the coronavirus pandemic. For the six months ended 30 September 2020, the division's revenue fell 4% year-on-year from HK\$445 million to HK\$428 million. Despite lower revenue, as a result of improved operating efficiency, the division saw its half-yearly operating profit increase to HK\$37.7 million from HK\$33.8 million a year earlier.

The Computer Products Division suffered a slowdown in its performance with a 30% drop in first-half revenue to HK\$36 million from HK\$52 million last year. The revenue decline was mainly due to weaker sales of both smart connected devices and motor actuator assemblies. Nevertheless, with tight control over operating expenses, the division's operating loss for the period has shrunk to HK\$4.6 million from HK\$12.6 million in the previous year.

Given the tough business environment, the revenue of the Housewares Division for the first half of the financial year decreased by 15% year-on-year from HK\$32 million to HK\$27 million. As the UK is the major market for the division, the appreciation of sterling during the period had a positive effect on its interim results. In comparison with an operating loss of HK\$3.6 million a year earlier, the division recorded an operating profit of HK\$1.8 million for the six months ended 30 September 2020.

The business of the Timepieces Division was impacted by a weak consumer market with its first-half revenue shrinking by 7% year-on-year to HK\$57 million. To deal with the difficult trading conditions, the division reduced its headcount in the UK and, as a result, incurred redundancy costs of HK\$1.3 million. Compared with the same period last year, the division's half-yearly operating loss increased from HK\$0.9 million to HK\$3.2 million.

PROSPECTS AND GENERAL OUTLOOK

Due to seasonal factors, the business of the Toys Division has slowed down since October 2020. Meanwhile, the Computer Products Division continues to be adversely affected by a weak demand for smart connected devices. On the other hand, the Timepieces Division has shifted its focus to online sales in response to the change in consumer buying behavior amid the Covid-19 pandemic.

Despite the favorable results in the first half of the financial year, the Group's revenue in October 2020 declined by 13% as compared to the same month in 2019 while the Group's overall orders at the end of October 2020 also fell by 6% from those at the same time in 2019. Together with the uncertainties arising from Covid-19, the management has some concerns about the results of the Group in the second half of the financial year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group continued to exercise prudence in managing its financial resources. As in the past, the Group maintains a sound liquidity position. At 30 September 2020, the Group's cash balances aggregated to HK\$130 million (at 31 March 2020: HK\$191 million).

At the end of September 2020, the Group's current assets amounted to HK\$639 million (at 31 March 2020: HK\$531 million) which included inventories of HK\$163 million (at 31 March 2020: HK\$149 million), trade and other receivables of HK\$268 million (at 31 March 2020: HK\$116 million) and trading securities of HK\$78 million (at 31 March 2020: HK\$75 million).

At 30 September 2020, the Group's current liabilities increased to HK\$261 million from HK\$173 million as at the beginning of the fiscal year. The bank loans amounted to HK\$10 million (at 31 March 2020: HK\$4 million) which included revolving loans of HK\$8 million (at 31 March 2020: Nil) and mortgage loan balance of HK\$2 million (at 31 March 2020: HK\$4 million). The mortgage loan balance of HK\$2 million is repayable by fixed monthly instalments with maturity date in August 2021. Certain trading securities and bank deposits amounting to HK\$78 million (at 31 March 2020: HK\$72 million), along with certain properties with a carrying amount of HK\$53 million (at 31 March 2020: HK\$55 million), were pledged to banks to secure banking facilities granted to the Group.

The Group monitors its capital structure on the basis of gearing ratio, which is calculated as a percentage of total liabilities over total assets. The gearing ratio of the Group as at 30 September 2020 was 29% (at 31 March 2020: 22%). At 30 September 2020, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 2.45 as compared to 3.06 at 31 March 2020. The quick ratio, another ratio that gauges the short term liquidity and measured by trade debtors and bills receivable and cash and cash equivalents over current liabilities, decreased to 1.42 from 1.64 at 31 March 2020.

CONTINGENT LIABILITIES

As at 30 September 2020, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange risks primarily through sales and purchases that are denominated in a foreign currency, such as Renminbi, United States Dollars and Pound Sterling. Management monitors the Group's exposure to currency risk and will consider hedging significant foreign currency exposure should the need arise.

DIVIDEND

The Directors have declared an interim dividend of HK3 cents per share (2019: HK2 cents). The total amount of dividend payment of HK\$18 million (2019: HK\$12 million) was based on the total number of shares in issue as at 26 November 2020, being the latest practicable date prior to the announcement of the interim results. The dividend will be paid on Wednesday, 20 January 2021 to shareholders registered in the Register of Members on Wednesday, 6 January 2021.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed from Tuesday, 5 January 2021 to Wednesday, 6 January 2021, both days inclusive, during which period no transfer of shares will be effected. In order to be qualified for the interim dividend, shareholders should ensure that all transfers of shares, accompanied by the relevant share certificates, are lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 4 January 2021.

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

As at 30 September 2020, 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		
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 2020, 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 total number of shares available for issue under the share option scheme as at 30 September 2020 was 60,249,076 shares which represented 10% of the issued share capital of the Company as at the date of adoption of the share option scheme. 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 2020, 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 2020 was HK\$0.57) 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 2020.

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

CHANGE IN DIRECTORS' INFORMATION

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

Dr Ng Tze-Kin, David resigned as an independent non-executive director of New Provenance Everlasting Holdings Limited, a company listed on the Stock Exchange, with effect from 1 October 2020.

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 2020.

AUDIT COMMITTEE

The audit committee reports to the board of directors and currently comprises three independent non-executive directors, namely Dr Ng Tze-Kin, David, being the chairman, Mr Lie-A-Cheong Tai-Chong, David and Mr Yeh Man-Chun, Kent. The audit committee meets with the Group's senior management and external auditors regularly to discuss audit matters. The audit committee also reviews the effectiveness of the risk management and internal control systems. The interim 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 2020 with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules except that the independent non-executive directors are not appointed for a specific term, which deviates from the code provision A.4.1. However, the independent non-executive directors are subject to retirement from office by rotation under the requirements of the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code.

MODEL CODE

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standards of the Model Code. 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, 27 November 2020