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## HERALD HOLDINGS LIMITED

興利集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code : 00114)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

#### 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 2013, together with the comparative figures for the corresponding period in 2012, as follows:

#### Consolidated Income Statement – Unaudited

For the six months ended 30 September 2013

		Six months ended 30 September	
	Note	2013 HK\$'000	2012 HK\$'000
<b>Turnover</b>	3	<b>707,558</b>	800,111
Cost of sales		<u>(545,965)</u>	<u>(591,822)</u>
<b>Gross profit</b>		<b>161,593</b>	208,289
Other revenue		<b>8,376</b>	8,864
Other net income/(loss)		<b>4,701</b>	(9,366)
Selling expenses		<b>(23,602)</b>	(19,322)
Administrative expenses		<u><b>(122,376)</b></u>	<u>(136,108)</u>
<b>Profit from operations</b>		<b>28,692</b>	52,357
Finance costs		<b>(233)</b>	(83)
Share of profit less loss of a joint venture		<b>(225)</b>	(1,203)
Share of profit less loss of an associate		<u><b>(144)</b></u>	<u>307</u>
<b>Profit before taxation</b>	4	<b>28,090</b>	51,378
Income tax	5	<u><b>(5,373)</b></u>	<u>(16,607)</u>
<b>Profit for the period</b>		<u><b>22,717</b></u>	<u>34,771</u>

**Consolidated Income Statement – Unaudited (Continued)***For the six months ended 30 September 2013*

		<b>Six months ended</b>	
		<b>30 September</b>	
	<b>Note</b>	<b>2013</b>	<b>2012</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>22,499</b>	33,038
Non-controlling interests		<b>218</b>	1,733
		<hr/>	<hr/>
<b>Profit for the period</b>		<b>22,717</b>	34,771
		<hr/>	<hr/>
<b>Interim dividends</b>		<b>18,075</b>	18,075
		<hr/>	<hr/>
<b>Interim dividends per share</b>		<b>3 cents</b>	3 cents
		<hr/>	<hr/>
<b>Earnings per share</b>	6		
- Basic and diluted		<b>3.73 cents</b>	5.48 cents
		<hr/>	<hr/>

**Consolidated Statement of Comprehensive Income - Unaudited***For the six months ended 30 September 2013*

	<b>Six months ended 30 September</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the period</b>	<b>22,717</b>	<b>34,771</b>
<b>Other comprehensive income for the period</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of the financial statements of overseas subsidiaries (no tax effect)	<u>2,694</u>	<u>(27)</u>
<b>Total comprehensive income for the period</b>	<u><b>25,411</b></u>	<u><b>34,744</b></u>
<b>Attributable to:</b>		
Equity shareholders of the company	<b>25,085</b>	<b>33,019</b>
Non-controlling interests	<u>326</u>	<u>1,725</u>
<b>Total comprehensive income for the period</b>	<u><b>25,411</b></u>	<u><b>34,744</b></u>

## Consolidated Balance Sheet - Unaudited

At 30 September 2013

	Note	As at 30 September 2013 HK\$'000	As at 31 March 2013 HK\$'000
<b>Non-current assets</b>			
Fixed assets	7		
- Property, plant and equipment		259,077	255,534
- Investment properties		6,680	6,680
- Interests in leasehold land held for own use under operating leases		4,242	4,399
		<u>269,999</u>	<u>266,613</u>
Intangible assets		1,860	1,860
Interest in an associate		1,945	1,968
Interest in a joint venture		-	225
Other financial assets		14,820	14,820
Deferred tax assets		10,876	10,552
		<u>299,500</u>	<u>296,038</u>
<b>Current assets</b>			
Trading securities		176,921	208,953
Inventories		207,839	209,185
Trade and other receivables	8	238,751	177,212
Current tax recoverable		2,801	2,889
Pledged bank balances		10,576	12,882
Cash and cash equivalents		211,664	184,031
		<u>848,552</u>	<u>795,152</u>
<b>Current liabilities</b>			
Trade and other payables	9	216,340	184,788
Bank Loan		13,864	15,565
Current tax payable		9,344	6,564
		<u>239,548</u>	<u>206,917</u>
<b>Net current assets</b>		<u>609,004</u>	<u>588,235</u>
<b>Total assets less current liabilities</b>		<u>908,504</u>	<u>884,273</u>

## Consolidated Balance Sheet – Unaudited (Continued)

At 30 September 2013

	Note	As at 30 September 2013 HK\$'000	As at 31 March 2013 HK\$'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		233	245
Provision for long service payments		<u>3,653</u>	<u>3,653</u>
		<u>3,886</u>	<u>3,898</u>
<b>NET ASSETS</b>			
		<u>904,618</u>	<u>880,375</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		46,994	46,994
Reserves		<u>838,736</u>	<u>813,651</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<b>885,730</b>	860,645
<b>Non-controlling interests</b>		<u>18,888</u>	<u>19,730</u>
<b>TOTAL EQUITY</b>		<u>904,618</u>	<u>880,375</u>

### NOTES:

#### 1. BASIS OF PREPARATION

The interim financial results have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). It was authorised for issue on 28 November 2013.

The interim financial results have been prepared in accordance with the same accounting policies adopted in the 2012/2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013/2014 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of the interim financial results in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial results are unaudited, but have been reviewed by the Company’s audit committee.

The financial information relating to the financial year ended 31 March 2013 that is included in the interim financial results as being previously reported 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 2013 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 June 2013.

## 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards (“HKFRSs”) and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 11, *Joint arrangements*
- HKFRS12, *Disclosure of interests in other entities*
- HKFRS13, *Fair value measurement*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*
- *Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities*

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

### **Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income**

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group’s presentation of other comprehensive income in these financial statements has been modified accordingly.

### **HKFRS 10, Consolidated financial statements**

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

## **HKFRS 11, Joint arrangements**

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

## **HKFRS 12, Disclosure of interests in other entities**

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

## **HKFRS 13, Fair value measurement**

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

## **Annual Improvements to HKFRSs 2009-2011 Cycle**

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group because the Group does not have any reportable segments with total assets or total liabilities materially different from the amounts reported in the last annual financial statements.

## **Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities**

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

### **3. 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 manufacture, sale and distribution of housewares.
Timepieces	:	The manufacture, sale and distribution of clocks, watches, and electronic and gift products.
Investments	:	The investment in debt and equity securities, structured products and managed funds.
Others	:	The leasing of properties to generate rental income and to gain from the appreciation in the properties' values in the long term.



- (a) 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 2013 and 2012 is set out below.

	Six months ended 30 September 2013						
	Computer						Total
	Toys	products	Housewares	Timepieces	Investments	Others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	323,450	147,470	60,286	176,352	-	-	707,558
Inter-segment revenue	-	-	-	-	-	-	-
<b>Reportable segment revenue</b>	<b>323,450</b>	<b>147,470</b>	<b>60,286</b>	<b>176,352</b>	<b>-</b>	<b>-</b>	<b>707,558</b>
<b>Reportable segment profit/(loss)</b>	<b>8,863</b>	<b>15,895</b>	<b>(705)</b>	<b>(658)</b>	<b>1,873</b>	<b>456</b>	<b>25,724</b>

	As at 30 September 2013						
	Computer						Total
	Toys	products	Housewares	Timepieces	Investments	Others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Reportable segment assets</b>	<b>350,818</b>	<b>193,603</b>	<b>117,501</b>	<b>181,903</b>	<b>187,497</b>	<b>52,495</b>	<b>1,083,817</b>
<b>Reportable segment liabilities</b>	<b>112,255</b>	<b>39,583</b>	<b>38,207</b>	<b>44,469</b>	<b>-</b>	<b>13,953</b>	<b>248,467</b>

## Six months ended 30 September 2012

	Toys HK\$'000	Computer products HK\$'000	Housewares HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	Total HK\$'000
Revenue from external customers	373,833	162,441	75,431	188,406	-	-	800,111
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	<u>373,833</u>	<u>162,441</u>	<u>75,431</u>	<u>188,406</u>	<u>-</u>	<u>-</u>	<u>800,111</u>
Reportable segment profit/(loss)	<u>36,278</u>	<u>26,326</u>	<u>(1,435)</u>	<u>220</u>	<u>3,742</u>	<u>315</u>	<u>65,446</u>

## As at 31 March 2013

	Toys HK\$'000	Computer products HK\$'000	Housewares HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment assets	<u>305,552</u>	<u>204,377</u>	<u>110,423</u>	<u>172,162</u>	<u>221,834</u>	<u>53,905</u>	<u>1,068,253</u>
Reportable segment liabilities	<u>93,110</u>	<u>49,017</u>	<u>36,541</u>	<u>30,816</u>	<u>-</u>	<u>15,638</u>	<u>225,122</u>

**(b) Reconciliations of reportable segment profit, assets and liabilities**

	<b>Six months ended 30 September</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit</b>		
Reportable segment profit	25,724	65,446
Finance costs	(233)	(83)
Share of profit less loss of a joint venture	(225)	(1,203)
Share of profit less loss of an associate	(144)	307
Unallocated corporate income and expenses	<u>2,968</u>	<u>(13,089)</u>
Consolidated profit before taxation	<u><u>28,090</u></u>	<u><u>51,378</u></u>
	<b>At 30 September</b>	<b>At 31 March</b>
	<b>2013</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Assets</b>		
Reportable segment assets	1,083,817	1,068,253
Elimination of inter-segment receivables	<u>(19,716)</u>	<u>(25,869)</u>
	<b>1,064,101</b>	<b>1,042,384</b>
Interest in a joint venture	-	225
Interest in an associate	1,945	1,968
Deferred tax assets	10,876	10,552
Current tax recoverable	2,801	2,889
Unallocated corporate assets	<u>68,329</u>	<u>33,172</u>
Consolidated total assets	<u><u>1,148,052</u></u>	<u><u>1,091,190</u></u>
	<b>At 30 September</b>	<b>At 31 March</b>
	<b>2013</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Liabilities</b>		
Reportable segment liabilities	248,467	225,122
Elimination of inter-segment payables	<u>(19,716)</u>	<u>(25,869)</u>
	<b>228,751</b>	<b>199,253</b>
Current tax payable	9,344	6,564
Deferred tax liabilities	233	245
Unallocated corporate liabilities	<u>5,106</u>	<u>4,753</u>
Consolidated total liabilities	<u><u>243,434</u></u>	<u><u>210,815</u></u>

**(c) Geographic information**

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods are delivered.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue from external customers</b>		
Hong Kong (place of domicile)	<u>32,745</u>	<u>33,154</u>
North America	341,378	390,037
United Kingdom	125,963	139,516
Europe (excluding United Kingdom)	84,837	123,541
Asia (excluding Mainland China and Hong Kong)	68,818	61,475
Mainland China	10,563	3,167
Others	43,254	49,221
	<u>674,813</u>	<u>766,957</u>
	<u>707,558</u>	<u>800,111</u>

**4. PROFIT BEFORE TAXATION**

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(a) Finance costs</b>		
Interest on bank loan wholly repayable within 5 years	<u>233</u>	<u>83</u>
<b>(b) Other items</b>		
Depreciation	14,117	14,545
Amortisation of land lease premium	157	173
Net gain on disposal of fixed assets	(21)	-
Net realised and unrealized losses/(gains) on trading securities	628	(722)
Staff costs	231,830	232,289
Interest income		
- trading securities	(555)	(926)
- deposits with banks	(265)	(640)
- other loans	(29)	(82)
Rental income	(413)	(513)
Dividend income	(1,942)	(2,075)
Impairment losses on amount due from and loan to a joint venture	<u>-</u>	<u>10,157</u>

## 5. INCOME TAX

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Current tax - Hong Kong Profits Tax	<b>2,643</b>	11,098
Current tax - Outside Hong Kong	<b>3,070</b>	6,895
Deferred tax	<b>(340)</b>	(1,386)
	<b><u>5,373</u></b>	<u>16,607</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2012: 16.5%) to the six months ended 30 September 2013. 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. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$22,499,000 (2012: HK\$33,038,000) and the weighted average number of shares of 602,491,000 (2012: 602,491,000 ) in issue during the period.

There were no dilutive potential shares in existence during the periods ended 30 September 2013 and 2012, therefore diluted earnings per share is the same as the basic earnings per share for both the current and prior periods.

## 7. FIXED ASSETS

The movements of fixed assets of the Group during the period are:

	<b>Property, plant and equipment</b>	<b>Investment properties</b>	<b>Interests in leasehold land held for own use under operating leases</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net book value as at				
1 April 2013	255,534	6,680	4,399	266,613
Additions	15,192	-	-	15,192
Disposals	(659)	-	-	(659)
Depreciation/amortisation	(14,117)	-	(157)	(14,274)
Exchange adjustments	3,127	-	-	3,127
	<u>259,077</u>	<u>6,680</u>	<u>4,242</u>	<u>269,999</u>
<b>Net book value as at 30 September 2013</b>	<b><u>259,077</u></b>	<b><u>6,680</u></b>	<b><u>4,242</u></b>	<b><u>269,999</u></b>

## 8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 30 September 2013 HK\$'000	At 31 March 2013 HK\$'000
<b>By date of invoice</b>		
Within 3 months	181,403	126,707
Over 3 months but within 6 months	8,461	13,643
Over 6 months	<u>6,166</u>	<u>517</u>
Trade debtors and bills receivable	196,030	140,867
Deposits, prepayments and other receivables	<u>42,721</u>	<u>36,345</u>
	<u><u>238,751</u></u>	<u><u>177,212</u></u>

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. Trade debtors and bills receivable are normally due within 90 days from the date of billing.

## 9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the balance sheet date:

	At 30 September 2013 HK\$'000	At 31 March 2013 HK\$'000
<b>By date of invoice</b>		
Within 1 month	37,949	33,053
Over 1 month but within 3 months	22,752	5,305
Over 3 months	<u>1,219</u>	<u>947</u>
Trade creditors and bills payable	61,920	39,305
Accruals and other payables	<u>154,420</u>	<u>145,483</u>
	<u><u>216,340</u></u>	<u><u>184,788</u></u>

All of the trade and other payables including receipts in advance from customers are expected to be settled or recognised as income within one year.

## BUSINESS REVIEW

With the prospect of global economic recovery remaining uncertain, the Group continued to suffer a decline both in sales volume and profit margins in the 6 months ended 30 September 2013. The Group's turnover for the period amounted to HK\$708 million, representing a decrease of 12% from last year. The profit attributable to the shareholders was HK\$22.5 million, down 32% from HK\$33 million in the corresponding period. Further analysis of the operating results are set out in the following paragraphs.

During the period, the business environment remained tough for the Toys Division, especially in the United States. The division which operated at a tight profit margin amid severe competition among

toy manufacturers, recorded a turnover of HK\$323 million, down 13% from last year and an operating profit of HK\$8.9 million compared with HK\$36.3 million in the previous year.

The Computer Products Division suffered a setback in its performance with a lower profit margin as a result of price pressures from its customers. The division reported a turnover of HK\$147 million against HK\$162 million in last year, and the profit decreased to HK\$15.9 million from HK\$26.3 million a year ago.

The Housewares Division which also experienced similar difficulties as the Toys Division saw its turnover drop by 20% to HK\$60 million but the operating loss was reduced to HK\$0.7 million.

The Timepieces Division had similar operating results as last year. The turnover was down 6% to HK\$176 million, and a loss of HK\$0.7 million was incurred compared with a profit of HK\$0.2 million in the previous year.

During the period, the Group recorded net realized and unrealized losses of trading securities of HK\$0.6 million compared with gains of HK\$0.7 million a year ago. At 30 September 2013, the Group's trading securities decreased to HK\$177 million from HK\$209 million as at the beginning 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 good liquidity position. At 30 September 2013, the Group's net cash surplus was HK\$222 million (at 31 March 2013: HK\$197 million).

The Group's total current assets at 30 September 2013 were HK\$849 million (at 31 March 2013: HK\$795 million). The trade and other receivables amounted to HK\$239 million (at 31 March 2013: HK\$177 million) and the current liabilities HK\$240 million (at 31 March 2013: HK\$207 million) which included a mortgage balance of HK\$14 million (at 31 March 2013: HK\$16 million) secured by one of the Group's properties with a carrying value of HK\$36 million (at 31 March 2013: HK\$37 million). The trading financial assets totaled HK\$177 million (at 31 March 2013: HK\$209 million). Trading securities and bank deposits totaling HK\$167 million (at 31 March 2013: HK\$191 million) are pledged to the banks to secure banking facilities granted to the Group.

As at 30 September 2013, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 3.54 compared to 3.38 at 30 September 2012. The quick ratio, another ratio that gauges the short-term liquidity and measured by trade debtors and cash and cash equivalents over current liabilities, increased to 1.7 from 1.64 at 30 September 2012.

## **PROSPECTS AND GENERAL OUTLOOKS**

As our markets continue to be depressed and unfavorable, it is anticipated that both the turnover and profit margin will continue to come under pressure for the rest of the current financial year. While the Toys Division and the Housewares Division still operate under a difficult trading environment and will struggle to achieve a satisfactory performance, the Computer Products Division and the Timepieces Division are expected to report improved results, in the second half of the fiscal year.

Nevertheless, as the measures taken in improving operating efficiency and adapting to market changes as previously reported, have helped the Group become more competitive, the Management believes that the Group's core business activities will be profitable in the second half of the financial year.

## **CONTINGENT LIABILITIES**

As at 30 September 2013, 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 United States Dollars and Pound Sterling. From time to time, the Group takes out foreign exchange contracts to hedge against its foreign exchange exposure.

## **DIVIDEND**

The Directors have declared an interim dividend of HK3 cents per share (2012: HK3 cents). The total amount of dividend payment of HK\$18 million (2012: HK\$18 million) was based on the total number of shares in issue as at 27 November 2013, being the latest practicable date prior to the announcement of the interim results. The dividend will be paid on Wednesday, 15 January 2014 to shareholders registered in the Register of Members on Tuesday, 31 December 2013.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed from Monday, 30 December 2013 to Tuesday, 31 December 2013, 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, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 27 December 2013.

## **EMPLOYEES**

As at 30 September 2013, the number of employees of the Group was 247 (2012: 252) in Hong Kong, 5,509 (2012: 5,766) in the Mainland China and 82 (2012: 103) in Europe. Total staff costs for the period under review amounted to HK\$231,830,000 (2012: HK\$232,289,000). 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 2013.

## **AUDIT COMMITTEE**

The audit committee reports to the board of directors and currently comprises three independent non-executive directors, namely Mr Ng Tze Kin David, being the chairman, Mr David Tai Chong Lie-A-Cheong 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 internal control systems. The interim results of the Group have been reviewed by the audit committee of the Company.



## **REMUNERATION COMMITTEE**

The remuneration committee comprises two independent non-executive directors, namely Mr Ng Tze Kin David, being the Chairman, and Mr Yeh Man Chun Kent and one executive director, namely Mr Tang King 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 Dr Cheung Tsang Kay Stan, being the chairman, and Mr Robert Dorfman and three independent non-executive directors, namely Mr David Tai Chong Lie-A-Cheong, Mr Yeh Man Chun Kent and Mr 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 2013 with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules except that the independent non-executive directors are not appointed for a specific term, which deviates from the code provision A.4.1. However, the independent non-executive directors are subject to retirement from office by rotation under the requirements of the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

## **MODEL CODE**

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Company's directors, all directors confirmed that they have complied with the required standards set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This announcement is published on the Stock Exchange's website ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company's website ([www.heraldgroup.com.hk](http://www.heraldgroup.com.hk)). The interim report of the Company for the six months ended 30 September 2013 containing all the information required by the Listing Rules will be dispatched to shareholders and published on the same websites in due course.

By Order of the Board  
**Cheung Tsang Kay Stan**  
Chairman

Hong Kong, 28 November 2013

*As at the date of this announcement, the Board of Directors of the Company comprises the following directors:*

*Executive Directors:*

*Dr Cheung Tsang Kay Stan PhD, Hon LLD, Hon DBA, JP*

*Mr Robert Dorfman*

*Mr Tang King Hung ACA, FCCA, ACIS, CPA*

*Independent Non-executive Directors:*

*Mr David Tai Chong Lie-A-Cheong SBS, OM, JP*

*Mr Yeh Man Chun Kent*

*Mr Ng Tze Kin David CA(AUST.), FCPA*

*\*For identification only*