



HERALD HOLDINGS LIMITED

興利集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 00114)

PRESS RELEASE

Interim Results Announcement for the six months ended 30 September 2010

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 2010, together with the comparative figures for the corresponding period in 2009, as follows:

Consolidated Income Statement – Unaudited

For the six months ended 30 September 2010

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
Turnover	937,216	908,023
Cost of sales	<u>(720,220)</u>	<u>(649,353)</u>
Gross profit	216,996	258,670
Other revenue	8,653	8,786
Other net income	5,167	32,403
Selling expenses	(25,792)	(22,612)
Administrative expenses	<u>(119,343)</u>	<u>(113,706)</u>
Profit from operations	85,681	163,541
Finance costs	-	(2)
Share of (losses)/profits of jointly controlled entities	(274)	433
Share of profit of associate	<u>142</u>	<u>309</u>
Profit before taxation	85,549	164,281
Income tax	<u>(23,063)</u>	<u>(34,202)</u>
Profit for the period	<u>62,486</u>	<u>130,079</u>
Attributable to:		
Equity shareholders of the Company	61,291	129,375
Non-controlling interests	<u>1,195</u>	<u>704</u>
Profit for the period	<u>62,486</u>	<u>130,079</u>
Interim dividends	<u>18,075</u>	<u>18,075</u>
Interim dividends per share	<u>3 cents</u>	<u>3 cents</u>
Earnings per share		
- Basic and diluted	<u>10.17 cents</u>	<u>21.47 cents</u>

Consolidated Balance Sheet - Unaudited*At 30 September 2010*

	As at 30 September 2010 HK\$'000	As at 31 March 2010 HK\$'000
Non-current assets		
Fixed assets		
- Property, plant and equipment	198,263	200,548
- Investment properties	33,760	33,760
- Interests in leasehold land held for own use under operating leases	5,223	5,376
	<u>237,246</u>	<u>239,684</u>
Intangible assets	7,036	6,861
Interest in jointly controlled entities	6,588	5,405
Interest in associate	2,869	2,629
Other financial assets	4,680	4,680
Deferred tax assets	6,270	8,815
	<u>264,689</u>	<u>268,074</u>
Current assets		
Trading securities	165,039	116,480
Inventories	203,792	159,193
Trade and other receivables	308,271	167,238
Current tax recoverable	2,166	2,760
Pledged bank balances	32,489	57,015
Cash and cash equivalents	235,943	311,745
	<u>947,700</u>	<u>814,431</u>
Current liabilities		
Trade and other payables	272,491	183,579
Current tax payable	31,718	18,278
	<u>304,209</u>	<u>201,857</u>
Net current assets	<u>643,491</u>	<u>612,574</u>
Total assets less current liabilities	<u>908,180</u>	<u>880,648</u>
Non-current liabilities		
Deferred tax liabilities	277	333
Provision for long service payment	3,072	3,362
	<u>3,349</u>	<u>3,695</u>
NET ASSETS	<u>904,831</u>	<u>876,953</u>
CAPITAL AND RESERVES		
Share capital	46,994	46,994
Reserves	834,690	806,881
Total equity attributable to equity shareholders of the Company	<u>881,684</u>	<u>853,875</u>
Non-controlling interests	<u>23,147</u>	<u>23,078</u>
TOTAL EQUITY	<u>904,831</u>	<u>876,953</u>

BUSINESS REVIEW

The Group's turnover for the 6 months ended 30 September 2010 amounted to HK\$937 million, representing an increase of HK29 million or 3% compared to the same period last year. However, the profit attributable to shareholders for the same period was HK\$61.3 million, down HK\$68.1 million or 52.6% from HK\$129.4 million in the same period a year earlier. The decrease in profit was mainly attributable to the significant decrease both in the net realized and unrealized gains on trading securities and the profit margin of the Toys Division.

During the period, the Toys Division has lost the benefit of the savings in material cost that contributed to the exceptional performance in the corresponding period in 2009. Coupled with a decrease of 13% in turnover from HK\$564 million in the previous year to HK\$492 million and a general reduction in profit margin amid stiff competition among the toy manufacturers, the operating profit dropped significantly from HK\$126.2 million a year ago to HK\$49.6 million.

The Computer Products Division continued to record encouraging results. The turnover for the period amounted to HK\$162 million, up 72% from HK\$94 million in 2009, due to the increased sales in the thin-film computer heads and shipments of the newly-developed product, the smart thermostats, and the profit was HK\$27.6 million, compared to HK\$6.8 million in the previous corresponding period.

The business of the Housewares Division remained stable during the first half of the financial year. The turnover was HK\$83 million, down 10% from HK\$92 million in 2009. The profit amounted to HK\$1.2 million compared to HK\$8.3 million a year ago mainly because the aluminium price has not been moving in favour of the Division.

The performance of the Timepiece Division for the 6 months ended 30 September 2010 has improved over last year. The turnover increased to HK\$201 million from HK\$157 million in the same period of the previous year with profit of HK\$1.2 million compared to an operating loss of HK\$5.5 million last year.

As the global investment market has improved modestly in these 6 months, the Group had net realized and unrealized gains on trading securities of HK\$1.4 million for the period compared to gains of HK\$25 million in the same period last year. At 30 September 2010, the Group's trading securities increased to HK\$165 million from HK\$116 million as at the beginning of the financial year.

FINANCIAL POSITION

The Group continues to exercise prudence in managing its financial resources. As in the past, the Group maintains a good liquidity position without any long term debt funding. At 30 September 2010, the Group's net cash surplus was HK\$268 million (at 31 March 2010: HK\$369 million). During the period under review, the Group used HK\$29 million to finance investing activities and HK\$36 million to pay the final dividend for the year ended 31 March 2010.

The Group's current assets position as at 30 September 2010 was HK\$948 million (at 31 March 2010: HK\$814 million). The trade and other receivables amounted to HK\$308 million (at 31 March 2010: HK\$167 million) and current liabilities HK\$304 million (at 31 March 2010: HK\$202 million). The trading securities increased to HK\$165 million from HK\$116 million as at the beginning of the financial year. Trading securities and bank deposits totalling HK\$179 million (at 31 March 2010: HK\$140 million) are pledged to the banks to secure banking facilities granted to the Group.

At 30 September 2010, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 3.12 compared to 3.05 at 30 September 2009. The quick ratio, another ratio that gauges the short-term liquidity and measured by trade debtors and cash and cash equivalents over current liabilities, decreased to 1.64 from 1.76 at 30 September 2009.

PROSPECTS AND GENERAL OUTLOOK

Although the Toys Division will continue to experience severe competition from other toy manufacturers, the management anticipates that it will remain profitable in the second half of the financial year. On the other hand, with the current level of orders, the Computer Products Division is expected to sustain growth both in sales volume and profitability. However, the operating results of the Housewares Division will likely suffer due to the expected increase in aluminium price. Meanwhile, the management believes that the business of the Timepiece Division will continue to recover and that the performance for the year ending 31 March 2011 will improve over last year.

The management is concerned about the uncertainty of the global economy, and its impacts on the Group's business activities. In addition, the issues of appreciation of Renminbi and shortage of workers in China are also matters of concern. Nevertheless, based on the information currently available, the management is confident that the Group will be profitable in the second half of the fiscal year.

DIVIDENDS

The Directors have declared an interim dividend of HK3 cents per share (2009: HK3 cents). The total amount of dividend payment of HK\$18,075,000 (2009: HK\$18,075,000) was based on the total number of shares in issue as at 29 November 2010, being the latest practicable date prior to the announcement of the interim results. Dividend will be payable on 31 December 2010 to shareholders registered in the Register of Members on 21 December 2010.

REGISTER OF MEMBERS

The Register of Members will be closed from 20 December 2010 to 21 December 2010, both days inclusive. Shareholders should ensure that all transfers accompanied by relevant share certificates are lodged with the Company's Registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 pm on 17 December 2010 in order that they may receive their dividend entitlement.

Herald Holdings Limited
Hong Kong, 30 November 2010

Contact Person : Mr. Robert Dorfman 2522 6181
 Mr. George Tang 2522 6181

**For identification only*