



# HERALD HOLDINGS LIMITED

興利集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code : 00114)

## PRESS RELEASE

### Annual Results Announcement for the year ended 31 March 2013

The Board of Directors (the “Board”) of Herald Holdings Limited (the “Company”) presents the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2013, together with the comparative figures for the previous year and selected explanatory information, as follows:

#### Consolidated income statement

For the year ended 31 March 2013

	2013 HK\$'000	2012 HK\$'000
<b>Turnover</b>	<b>1,344,898</b>	1,399,582
Cost of sales	<u>(999,598)</u>	<u>(1,072,058)</u>
<b>Gross profit</b>	<b>345,300</b>	327,524
Other revenue	<b>16,431</b>	19,358
Other net loss	<b>(2,090)</b>	(15,185)
Selling expenses	<b>(42,111)</b>	(38,695)
Administrative expenses	<b>(275,116)</b>	(257,325)
Valuation gains on investment properties	<b>780</b>	620
Impairment losses on property, plant and equipment	<u>(950)</u>	<u>(832)</u>
<b>Profit from operations</b>	<b>42,244</b>	35,465
Finance cost	<b>(308)</b>	-
Share of profit less loss of an associate	<b>25</b>	(732)
Share of profits less losses of jointly controlled entities	<u>(526)</u>	<u>(1,837)</u>
<b>Profit before taxation</b>	<b>41,435</b>	32,896
Income tax	<u>(16,721)</u>	<u>(15,686)</u>
<b>Profit for the year</b>	<b>24,714</b>	17,210
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>22,989</b>	21,967
Non-controlling interests	<u>1,725</u>	<u>(4,757)</u>
<b>Profit for the year</b>	<b>24,714</b>	17,210
<b>Earnings per share</b>		
Basic and diluted	<u>3.82 cents</u>	<u>3.65 cents</u>

Details of dividends payable to equity shareholders of the Company are set out in note 8.

## Consolidated statement of comprehensive income

For the year ended 31 March 2013

	2013 HK\$'000	2012 HK\$'000
<b>Profit for the year</b>	<b>24,714</b>	17,210
<b>Other comprehensive income for the year</b>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong (no tax effect)	<u>2,032</u>	<u>5,041</u>
<b>Total comprehensive income for the year</b>	<b><u>26,746</u></b>	<b><u>22,251</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>24,933</b>	26,501
Non-controlling interests	<u>1,813</u>	<u>(4,250)</u>
<b>Total comprehensive income for the year</b>	<b><u>26,746</u></b>	<b><u>22,251</u></b>

**Consolidated balance sheet**  
**At 31 March 2013**

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
<b>Non-current assets</b>		
Fixed assets		
- Property, plant and equipment	<b>255,534</b>	205,896
- Investment properties	<b>6,680</b>	5,900
- Interests in leasehold land held for own use under operating leases	<b>4,399</b>	4,743
	<b>266,613</b>	216,539
Intangible assets	<b>1,860</b>	1,860
Interest in an associate	<b>1,968</b>	2,048
Interests in jointly controlled entities	<b>225</b>	11,207
Other financial assets	<b>14,820</b>	10,920
Deposits for purchase of property, plant and equipment	<b>-</b>	6,291
Deferred tax assets	<b>10,552</b>	10,761
	<b>296,038</b>	259,626
<b>Current assets</b>		
Trading securities	<b>208,953</b>	161,883
Inventories	<b>209,185</b>	215,928
Trade and other receivables	<b>177,212</b>	214,996
Current tax recoverable	<b>2,889</b>	3,339
Pledged bank balances	<b>12,882</b>	36,343
Cash and cash equivalents	<b>184,031</b>	242,441
	<b>795,152</b>	874,930
<b>Current liabilities</b>		
Trade and other payables	<b>184,788</b>	214,172
Bank loan	<b>15,565</b>	-
Current tax payable	<b>6,564</b>	8,084
	<b>206,917</b>	222,256
<b>Net current assets</b>	<b>588,235</b>	652,674
<b>Total assets less current liabilities</b>	<b>884,273</b>	912,300

	2013 HK\$'000	2012 HK\$'000
<b>Non-current liabilities</b>		
Deferred tax liabilities	245	247
Provision for long service payments	<u>3,653</u>	<u>3,657</u>
	<u>3,898</u>	<u>3,904</u>
<b>NET ASSETS</b>	<b><u>880,375</u></b>	<b><u>908,396</u></b>
 <b>CAPITAL AND RESERVES</b>		
Share capital	46,994	46,994
Reserves	<u>813,651</u>	<u>843,035</u>
<b>Total equity attributable to equity shareholders of the Company</b>	<b>860,645</b>	890,029
<b>Non-controlling interests</b>	<u>19,730</u>	<u>18,367</u>
<b>TOTAL EQUITY</b>	<b><u>880,375</u></b>	<b><u>908,396</u></b>

## **BUSINESS REVIEW**

The turnover of the Group for the year ended 31 March 2013 was HK\$1,345 million which was HK\$55 million or 4% down from the previous year. The net profit attributable to the equity shareholders of the Company was HK\$23 million compared to HK\$22 million in last year. Detailed analysis of the operating results is set out in the following paragraphs.

### **Toys Division**

The Toys Division continued to experience a difficult trading environment and a sluggish market in the United States. Both sales volume and profit margin came under pressure amid severe competition among the toy manufacturers and rising costs of production. The turnover for the year was down by 13% to HK\$557 million and the operating profit of HK\$22 million represents a decrease of HK\$4 million or 15% as compared to last year.

### **Computer Products Division**

The Computer Products Division had a satisfactory performance during the year. The turnover of HK\$296 million remained at a similar level as last year, but the operating profit decreased to HK\$44 million from HK\$53 million last year as a result of a price concession offered on one of the Division's main products.

## **Housewares Division**

As with the Toys Division, the Housewares Division experienced a tough trading environment with stiff competition and rising production costs. The turnover of the Division, which amounted to HK\$132 million, slightly exceeded the HK\$130 million recorded last year and the operating loss shrank from HK\$29 million to HK\$7 million due to the savings achieved from the closure of Herald Metal Products Company Limited in Shanghai.

## **Timepieces Division**

The performance of the Timepieces Division remained unsatisfactory. Although sales for the year increased by HK\$28 million or 8% to HK\$359 million, the Division recorded an operating loss of HK\$2 million compared with HK\$4 million in the previous year.

## **Other Investments**

The Group had a small gain of HK\$0.8 million (2012: HK\$0.6 million) on the revaluation of the investment properties for the year ended 31 March 2013. Net realised and unrealised gains amounting to HK\$9 million (2012: losses of HK\$13 million) were recorded on trading securities. The dividend and interest income on trading securities for the year amounted to HK\$5 million (2012: HK\$5 million). As at 31 March 2013, the group's trading securities amounted to HK\$209 million, an increase of HK\$47 million over last year.

In addition, the Group recorded a loss of HK\$12 million on its loan to Ventura Watches AG because the management considers that in view of the poor market conditions in Europe, the loan amount would not be recoverable in the foreseeable future.

In July 2012, the Group completed the acquisition of a property at Wong Chuk Hang at a consideration of HK\$36 million for use by the Computer Products Division. The purchase was financed partly by bank mortgage loan of HK\$18 million, repayable over 5 years and partly by internal funding.

## **LIQUIDITY, FINANCIAL RESOURCES AND FUNDING**

The Group continues to maintain its sound financial position. At the end of the financial year, the Group had a strong balance sheet with healthy liquidity. As at 31 March 2013, the Group had total assets of HK\$1,092 million (2012: HK\$1,134 million) which were financed by current liabilities of HK\$207 million (2012: HK\$222 million) including a mortgage loan balance of HK\$16 million (2012: nil), non-current liabilities of HK\$4 million (2012: HK\$4 million), non-controlling interests of HK\$20 million (2012: HK\$18 million) and equity attributable to the Company's equity shareholders of HK\$861 million (2012: HK\$890 million)

As at 31 March 2013, the Group's cash balances aggregated to HK\$197 million, down from HK\$279 million a year ago. The Group's current assets as at 31 March 2013 amounted to HK\$795 million compared to HK\$875 million as at 31 March 2012. The inventories decreased to HK\$209 million from HK\$216 million and the trade and other receivables also decreased to HK\$177 million from HK\$215 million. The trading financial assets as at 31 March 2013 amounted to HK\$209 million (2012: HK\$162 million).

At 31 March 2013, the Group's current liabilities decreased to HK\$207 million from HK\$222 million in last year. Certain trading financial assets and bank deposits amounting to HK\$191 million (2012: HK\$179 million) are pledged to banks to secure banking facilities granted to the Group.

As at 31 March 2013, the working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 3.84 as compared to 3.94 in the last year. 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 1.57 from 1.84 in the previous year.

## **PROSPECTS AND GENERAL OUTLOOK**

The trading environment of the toy industry which is expected to remain competitive and difficult, will continue to impact the sales volume and profit margin of the Toys Division. Nevertheless, it is hoped that the Division's performance will improve in the year ending 31 March 2014. On the other hand, the Computer Products Division remains optimistic about the prospect of a satisfactory performance for another year. The Housewares Division which experiences similar difficulties as the Toys Division in trading conditions and profit margin, will struggle to be profitable in the current financial year. Meanwhile, the management believes that the Timepieces Division, with the benefit of new brands of products and expanded customer base, will record improved results despite the depressed market in Europe.

As the global economy is still struggling to recover, the current financial year will remain challenging for the Group. However, the Group will continue to take measures to improve operating efficiency and adapt to market changes to ensure that it remains competitive. The management is optimistic that the Group's core business activities will be profitable in the year ending 31 March 2014.

## **DIVIDEND**

At the forthcoming Annual General Meeting to be held on 16 September 2013, the Directors will recommend a final dividend of HK4 cents per share (2012: HK6 cents). Together with the interim dividend of HK3 cents (2012: HK3 cents), the dividend for the year of HK7 cents (2012: HK9 cents) would represent an annual return of 8.0% (2012: 8.7%) on the Company's average share price of HK\$0.88 (2012: HK\$1.03) in the year ended 31 March 2013.

The final dividend which will amount to HK\$24,100,000 is calculated based on the total number of shares in issue as at 26 June 2013, being the latest practicable date prior to the announcement of the results.

## **REGISTER OF MEMBERS**

The Annual General Meeting is scheduled on Monday, 16 September 2013. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Friday, 13 September 2013 to Monday, 16 September 2013, both days inclusive, during which period no transfer of shares will be effected. In order to be able to attend and vote at the Annual General Meeting, 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 Thursday, 12 September 2013.

The proposed final dividend is subject to the passing of the ordinary resolution by the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is Wednesday, 25 September 2013. For determining the entitlement to the proposed final dividend, the register of the members of the Company will be closed from Tuesday, 24 September 2013 to Wednesday, 25 September 2013, both days inclusive, during which period no transfer of shares will be effected. In order to be qualified for the proposed final dividend, shareholders should ensure that all transfers of shares, accompanied by the relevant share certificates, are lodged with Tricor Tengis Limited for registration no later than 4.30 p.m. on Monday, 23 September 2013. The payment of final dividend, if approved at the Annual General Meeting, will be made on Friday, 11 October 2013.

Herald Holdings Ltd  
Hong Kong, 27 June 2013

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*\*For identification only*