



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 2007 PRESS RELEASE

RESULTS

The Board of Directors 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 2007, together with the comparative figures for the corresponding period in 2006, as follows:

Consolidated Income Statement – Unaudited

For the six months ended 30 September 2007

		Six months ended 30 September	
	Note	2007 HK\$'000	2006 HK\$'000
Turnover	2	824,143	744,878
Cost of sales		<u>(637,802)</u>	<u>(593,273)</u>
Gross profit		186,341	151,605
Other revenue		13,603	10,683
Other net income		2,263	10,526
Selling expenses		(28,591)	(26,443)
Administrative expenses		<u>(105,539)</u>	<u>(94,455)</u>
Profit from operations	2	68,077	51,916
Finance costs		(645)	(39)
Share of profit of jointly controlled entity		<u>283</u>	<u>220</u>
Profit before taxation	3	67,715	52,097
Income tax	4	<u>(9,985)</u>	<u>(3,761)</u>
Profit for the period		<u>57,730</u>	<u>48,336</u>
Attributable to:			
Equity shareholders of the Company		57,994	47,743
Minority interests		<u>(264)</u>	<u>593</u>
Profit for the period		<u>57,730</u>	<u>48,336</u>
Interim dividends		<u>18,228</u>	<u>18,418</u>
Interim dividends per share		<u>3 cents</u>	<u>3 cents</u>
Earnings per share	5		
- Basic and diluted		<u>9.54 cents</u>	<u>7.78 cents</u>

Consolidated Balance Sheet - Unaudited*At 30 September 2007*

	Note	As at 30 September 2007 HK\$'000	As at 31 March 2007 HK\$'000
Non-current assets			
Fixed assets			
- Property, plant and equipment		149,674	153,418
- Investment properties		21,900	21,900
- Interests in leasehold land held for own use under operating leases		<u>6,090</u>	<u>6,204</u>
		177,664	181,522
Club membership		1,820	1,820
Interest in jointly controlled entity		2,060	1,998
Interest in associate		4,680	-
Deferred tax assets		<u>8,108</u>	<u>6,128</u>
		<u>194,332</u>	<u>191,468</u>
Current assets			
Other financial assets		2,000	2,000
Trading securities		140,005	95,774
Inventories		187,443	180,629
Trade and other receivables	6	290,540	179,958
Current tax recoverable		981	1,566
Pledged bank balances		15,708	37,122
Cash and cash equivalents		<u>173,555</u>	<u>203,163</u>
		<u>810,232</u>	<u>700,212</u>
Current liabilities			
Trade and other payables	7	240,917	171,959
Current tax payable		<u>14,727</u>	<u>7,637</u>
		<u>255,644</u>	<u>179,596</u>
Net current assets		<u>554,588</u>	<u>520,616</u>
Total assets less current liabilities		<u>748,920</u>	<u>712,084</u>
Non-current liabilities			
Deferred tax liabilities		1,530	826
Provision for long service payments		<u>2,474</u>	<u>2,600</u>
		<u>4,004</u>	<u>3,426</u>
NET ASSETS		<u>744,916</u>	<u>708,658</u>
CAPITAL AND RESERVES			
Share capital		47,392	47,392
Reserves		<u>668,277</u>	<u>631,169</u>
Total equity attributable to equity shareholders of the Company		<u>715,669</u>	<u>678,561</u>
Minority interests		<u>29,247</u>	<u>30,097</u>
TOTAL EQUITY		<u>744,916</u>	<u>708,658</u>

BUSINESS REVIEW

The Group's turnover for the six months to 30 September 2007 amounted to HK\$824 million, representing an increase of HK\$79 million or 10.6% as compared with the corresponding period in the previous year. The profit attributable to shareholders for the same period was HK\$58 million, up 21.5% or HK\$10.3 million from the profit of HK\$47.7 million in the same period a year earlier.

Driven by the strong sales of toys related to a popular movie, the growth of the Toy and Gift Division continued in the six months ended 30 September 2007. The turnover increased by HK\$59 million or 14.1% to HK\$477 million from HK\$418 million. The overall operating environment facing the toy manufacturers in China continued to be very challenging. The shortage of labour and electricity issues remain the major problem for the division. During the period under review, the toy industry was also perturbed by several major product recalls by some large toy companies in the USA. As a consequence, both toy importers and manufacturers realise that tighter and stronger controls and procedures are needed to ensure that their products are safe. The division has always considered product safety of the utmost importance. The products are tested both externally by independent bodies and internally by the division's own chemical laboratory. Despite these unfavourable market conditions, the division reported a net operating profit of HK\$25.3 million, up 29.1% from HK\$19.6 million. The better profit was mainly attributed to the increase in sales activities.

As with the Toy and Gift Division, the Timepiece Division also achieved a satisfactory result in the first half of the fiscal year. For the first six months, the sales of the division were HK\$161 million, representing a 28% growth over the sales of HK\$126 million in the previous first half. As the UK is the primary market for the division, the continued depreciation of the US dollar versus the sterling positively impacted the results of the division. The operating profit of the division increased by HK\$11.3 million or 168.7% from HK\$6.7 million to HK\$18 million.

Compared to the same period last year, the sales of the Computer Head Division edged upwards by 2.6% from HK\$77 million to HK\$79 million in the six months ended 30 September 2007. The business of the thin film computer heads recorded a steady growth of 9.6%, offsetting the loss of sales arising from the continual decline of the business of the ferrite computer heads. The division had an operating profit of HK\$5.5 million, down from HK\$7.3 million in the prior year.

For the period under review, the turnover of the Houseware Division declined by 16.1% to HK\$97 million. This is mainly due to the substantial decrease of the stainless steel cookware business which has become unprofitable as a result of the rapid increase in the price of stainless steel. On the other hand, the price of aluminium was relatively stable in the first half. Thus the division achieved a better profit margin from the aluminium cookware business which accounted for 77 % of the total sales of the division. As a result, the division reported a better half-yearly operating profit of HK\$4.1 million as compared to last year.

FINANCIAL POSITION

The Group continues to exercise prudence in the management of its working capital. As in the past, the Group maintains a good liquidity position without any long term debt funding. At 30 September 2007 the Group's net cash surplus was HK\$189 million which was lower than the HK\$240 million at 31 March 2007. During the period under review, the Group used HK\$4.7 million to acquire a 28% interest in an associate, HK\$17.3 million to finance other investing activities and HK\$27.3 million to pay the final dividend for the year ended 31 March 2007.

The Group's current assets position as at 30 September 2007 was HK\$810 million compared to HK\$700 million as at 31 March 2007. The trade and other receivables increased to HK\$291 million from HK\$180 million. The Group's current liabilities increased from HK\$180 million to

HK\$256 million primarily due to increase in trade and other payables. The increase in trade and other receivables as well as the increase in trade and other payables reflect the seasonality of the Group's sales activities. The Group's trading securities as at 30 September 2007 amounted to HK\$140 million compared to HK\$96 million as at 31 March 2007. Trading securities and bank deposits totalling HK\$140 million (At 31 March 2007: HK\$116 million) are pledged to banks to secure banking facilities granted to a subsidiary of the Company. The working capital ratio, an indicator of a Company's liquidity represented by the ratio between current assets over current liabilities, was 3.17 compared to 2.78 at 30 September 2006. The quick ratio, another ratio that gauges the short-term liquidity of a Company measured by trade receivables, and cash and cash equivalents over the current liabilities, decreased to 1.67 from 1.72 at 30 September 2006.

PROSPECTS AND GENERAL OUTLOOK

The Group has achieved satisfactory growth in the first half. However, the management anticipates that the growth may not be sustained in the second half, as the order positions for the third quarter of the current fiscal year are weaker than the same quarter last year. As a result, the management is concerned that the results for the whole fiscal year may be impacted by a more difficult second half.

DIVIDENDS

The Directors have declared an interim dividend of HK3 cents per share (2006: HK3 cents). The total amount of dividend payment of HK\$18,228,000 (2006: HK\$18,418,000) was based on the total number of shares in issue as at 13 December 2007 being the latest practicable date prior to the announcement of the interim results. Dividend will be payable on 21 January 2008 to shareholders registered in the Register of Members on 10 January 2008.

Herald Holdings Limited
Hong Kong, 14 December 2007

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**For identification only*