



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 2013

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

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

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

Consolidated Balance Sheet - Unaudited*At 30 September 2013*

	As at 30 September 2013 HK\$'000	As at 31 March 2013 HK\$'000
Non-current assets		
Fixed assets		
- 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>
Current assets		
Trading securities	176,921	208,953
Inventories	207,839	209,185
Trade and other receivables	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>
Current liabilities		
Trade and other payables	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>
Net current assets	<u>609,004</u>	<u>588,235</u>
Total assets less current liabilities	<u>908,504</u>	<u>884,273</u>

Consolidated Balance Sheet – Unaudited (Continued)

At 30 September 2013

	As at 30 September 2013 HK\$'000	As at 31 March 2013 HK\$'000
Non-current liabilities		
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>
NET ASSETS	<u><u>904,618</u></u>	<u><u>880,375</u></u>
CAPITAL AND RESERVES		
Share capital	46,994	46,994
Reserves	<u>838,736</u>	<u>813,651</u>
Total equity attributable to equity shareholders of the Company	885,730	860,645
Non-controlling interests	<u>18,888</u>	<u>19,730</u>
TOTAL EQUITY	<u><u>904,618</u></u>	<u><u>880,375</u></u>

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.

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.

Herald Holdings Limited
Hong Kong, 28 November 2013

Contract Person:
Mr Robert Dorfman 2522 6181
Mr Tang King Hung 2522 6181

**For identification only*