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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 2012

#### 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 2012, together with the comparative figures for the corresponding period in 2011, as follows:

#### Consolidated Income Statement – Unaudited

*For the six months ended 30 September 2012*

		Six months ended 30 September	
	Note	2012 HK\$'000	2011 HK\$'000
<b>Turnover</b>	3	<b>800,111</b>	771,450
Cost of sales		<u>(591,822)</u>	<u>(612,041)</u>
<b>Gross profit</b>		<b>208,289</b>	159,409
Other revenue		<b>8,864</b>	10,336
Other net loss		<b>(9,366)</b>	(29,399)
Selling expenses		<b>(19,322)</b>	(21,232)
Administrative expenses		<u><b>(136,108)</b></u>	<u>(118,968)</u>
<b>Profit from operations</b>		<b>52,357</b>	146
Finance costs		<b>(83)</b>	-
Share of profits less losses of jointly controlled entities		<b>(1,203)</b>	(1,286)
Share of profit less loss of an associate		<u><b>307</b></u>	<u>(189)</u>
<b>Profit/(loss) before taxation</b>	4	<b>51,378</b>	(1,329)
Income tax	5	<u><b>(16,607)</b></u>	<u>(5,583)</u>
<b>Profit/(loss) for the period</b>		<u><b>34,771</b></u>	<u>(6,912)</u>

**Consolidated Income Statement – Unaudited (Continued)***For the six months ended 30 September 2012*

	Note	Six months ended 30 September	
		2012 HK\$'000	2011 HK\$'000
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>33,038</b>	(5,881)
Non-controlling interests		<b>1,733</b>	(1,031)
<b>Profit/(loss) for the period</b>		<b>34,771</b>	(6,912)
<b>Interim dividends</b>		<b>18,075</b>	18,075
<b>Interim dividends per share</b>		<b>3 cents</b>	3 cents
<b>Earnings/(loss) per share</b>	6		
- Basic and diluted		<b>5.48 cents</b>	(0.98 cents)

**Consolidated Statement of Comprehensive Income - Unaudited***For the six months ended 30 September 2012*

	<b>Six months ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit/(loss) for the period</b>	<b>34,771</b>	<b>(6,912)</b>
<b>Other comprehensive income for the period</b>		
Exchange differences on translation of the financial statements of overseas subsidiaries (no tax effect)	<u>(27)</u>	<u>3,567</u>
<b>Total comprehensive income/(expense) for the period</b>	<u><b>34,744</b></u>	<u><b>(3,345)</b></u>
<b>Attributable to:</b>		
Equity shareholders of the company	<b>33,019</b>	<b>(2,649)</b>
Non-controlling interests	<u><b>1,725</b></u>	<u><b>(696)</b></u>
<b>Total comprehensive income/(expense) for the period</b>	<u><b>34,744</b></u>	<u><b>(3,345)</b></u>

# Consolidated Balance Sheet - Unaudited

At 30 September 2012

	Note	As at 30 September 2012 HK\$'000	As at 31 March 2012 HK\$'000
<b>Non-current assets</b>			
Fixed assets	7		
- Property, plant and equipment		247,281	205,896
- Investment properties		5,900	5,900
- Interests in leasehold land held for own use under operating leases		4,570	4,743
		257,751	216,539
Intangible assets		1,860	1,860
Interest in an associate		2,377	2,048
Interest in jointly controlled entities		1,400	11,207
Other financial assets		14,820	10,920
Deposits for purchase of property, plant equipment		1,793	6,291
Deferred tax assets		12,167	10,761
		292,168	259,626
<b>Current assets</b>			
Trading securities		167,370	161,883
Inventories		201,674	215,928
Trade and other receivables	8	271,144	214,996
Current tax recoverable		1,414	3,339
Pledged bank balances		34,415	36,343
Cash and cash equivalents		201,957	242,441
		877,974	874,930
<b>Current liabilities</b>			
Trade and other payables	9	220,596	214,172
Bank Loan	10	17,247	-
Current tax payable		21,768	8,084
		259,611	222,256
<b>Net current assets</b>		618,363	652,674
<b>Total assets less current liabilities</b>		910,531	912,300

**Consolidated Balance Sheet – Unaudited (Continued)***At 30 September 2012*

	Note	As at 30 September 2012 HK\$'000	As at 31 March 2012 HK\$'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		268	247
Provision for long service payment		3,686	3,657
		<u>3,954</u>	<u>3,904</u>
<b>NET ASSETS</b>		<u>906,577</u>	<u>908,396</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		46,994	46,994
Reserves		839,905	843,035
<b>Total equity attributable to equity shareholders of the Company</b>		<b>886,899</b>	890,029
<b>Non-controlling interests</b>		<u>19,678</u>	<u>18,367</u>
<b>TOTAL EQUITY</b>		<u>906,577</u>	<u>908,396</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 29 November 2012.

The interim financial results have been prepared in accordance with the same accounting policies adopted in the 2011/2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012/2013 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 2012 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 2012 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 June 2012.

## 2. CHANGES IN ACCOUNTING POLICIES

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

- *Amendments to HKFRS 7, Financial instruments : Disclosures-Transfers of financial assets*

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

### *Amendments to HKFRS 7, Financial instruments : Disclosures-Transfers of financial assets*

The amendments to HKFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

## 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.

- (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 2012 and 2011 is set out below.

Six months ended 30 September 2012							
	Computer						
	Toys	products	Housewares	Timepieces	Investments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	373,833	162,441	75,431	188,406	-	-	800,111
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	373,833	162,441	75,431	188,406	-	-	800,111
Reportable segment profit/(loss)	36,278	26,326	(1,435)	220	3,742	315	65,446
As at 30 September 2012							
	Computer						
	Toys	products	Housewares	Timepieces	Investments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	379,543	180,342	119,614	196,985	201,786	54,204	1,132,474
Reportable segment liabilities	121,804	32,567	40,341	45,319	-	17,347	257,378

Six months ended 30 September 2011							
	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	361,561	154,764	75,697	179,428	-	-	771,450
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	361,561	154,764	75,697	179,428	-	-	771,450
Reportable segment profit/(loss)	5,414	29,014	(11,677)	4,654	(22,940)	2,041	6,506

As at 31 March 2012							
	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	374,652	219,861	119,127	157,510	198,226	20,421	1,089,797
Reportable segment liabilities	123,582	39,819	40,560	28,567	-	78	232,606



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

	<b>Six months ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit</b>		
Reportable segment profit	<b>65,446</b>	6,506
Finance costs	<b>(83)</b>	-
Share of profits less losses of jointly controlled entities	<b>(1,203)</b>	(1,286)
Share of profit less loss of an associate	<b>307</b>	(189)
Unallocated corporate income and expenses	<b>(13,089)</b>	(6,360)
	<u><b>51,378</b></u>	<u>(1,329)</u>
Consolidated profit/(loss) before taxation	<u><b>51,378</b></u>	<u>(1,329)</u>
	<b>At 30 September</b>	<b>At 31 March</b>
	<b>2012</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Assets</b>		
Reportable segment assets	<b>1,132,474</b>	1,089,797
Elimination of inter-segment receivables	<b>(19,778)</b>	(19,071)
	<u><b>1,112,696</b></u>	<u>1,070,726</u>
Interest in jointly controlled entities	<b>1,400</b>	11,207
Interest in an associate	<b>2,377</b>	2,048
Deferred tax assets	<b>12,167</b>	10,761
Current tax recoverable	<b>1,414</b>	3,339
Unallocated corporate assets	<b>40,088</b>	36,475
	<u><b>40,088</b></u>	<u>36,475</u>
Consolidated total assets	<u><b>1,170,142</b></u>	<u>1,134,556</u>
	<b>At 30 September</b>	<b>At 31 March</b>
	<b>2012</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Liabilities</b>		
Reportable segment liabilities	<b>257,378</b>	232,606
Elimination of inter-segment payables	<b>(19,778)</b>	(19,071)
	<u><b>237,600</b></u>	<u>213,535</u>
Current tax payable	<b>21,768</b>	8,084
Deferred tax liabilities	<b>268</b>	247
Unallocated corporate liabilities	<b>3,929</b>	4,294
	<u><b>3,929</b></u>	<u>4,294</u>
Consolidated total liabilities	<u><b>263,565</b></u>	<u>226,160</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>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue from external customers</b>		
Hong Kong (place of domicile)	<u>33,154</u>	<u>52,786</u>
North America	390,037	377,723
United Kingdom	139,516	166,200
Europe (excluding United Kingdom)	123,541	96,973
Asia (excluding Mainland China and Hong Kong)	61,475	44,868
Mainland China	3,167	5,265
Others	<u>49,221</u>	<u>27,635</u>
	<u>766,957</u>	<u>718,664</u>
	<u>800,111</u>	<u>771,450</u>

**4. PROFIT/(LOSS) BEFORE TAXATION**

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(a) Finance costs</b>		
Interest on bank loan wholly repayable within 5 years	<u>83</u>	<u>-</u>
<b>(b) Other items</b>		
Depreciation	14,545	14,018
Amortisation of land lease premium	173	171
Net (gain)/loss on disposal of fixed assets		
- investment properties	-	734
- land and buildings	-	(1,357)
- others	-	23
Net realised and unrealized (gains)/losses on trading securities	(722)	25,935
Staff costs	232,289	226,919
Interest income		
- trading securities	(926)	(1,356)
- deposits with banks	(640)	(668)
- other loans	(82)	(88)
Rental income	(513)	(1,929)
Dividend income	(2,075)	(1,637)
Impairment loss recognized on loan to a jointly controlled entity	10,157	-
Share of jointly controlled entities' taxation	<u>-</u>	<u>83</u>

## 5. INCOME TAX

	<b>Six months ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong Profits Tax	<b>11,098</b>	6,867
Taxation outside Hong Kong	<b>6,895</b>	(1,306)
Deferred tax	<b>(1,386)</b>	22
	<b><u>16,607</u></b>	<b><u>5,583</u></b>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the six months ended 30 September 2012. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

## 6. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to equity shareholders of the Company of HK\$33,038,000 (2011: loss of HK\$5,881,000) and the weighted average number of shares of 602,491,000 (2011: 602,491,000 ) in issue during the period.

There were no dilutive potential shares in existence during the periods ended 30 September 2012 and 2011, therefore diluted earnings/(loss) per share is the same as the basic earnings/(loss) 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 HK\$'000</b>	<b>Investment properties HK\$'000</b>	<b>Interests in leasehold land held for own use under operating leases HK\$'000</b>	<b>Total HK\$'000</b>
Net book value as at				
1 April 2012	205,896	5,900	4,743	216,539
Additions	55,995	-	-	55,995
Disposals	(329)	-	-	(329)
Depreciation/amortisation	(14,545)	-	(173)	(14,718)
Exchange adjustments	264	-	-	264
<b>Net book value as at 30 September 2012</b>	<b><u>247,281</u></b>	<b><u>5,900</u></b>	<b><u>4,570</u></b>	<b><u>257,751</u></b>

During the six months ended 30 September 2012, the Group acquired certain land and buildings with a total cost of HK\$42,771,000.

## 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 2012 HK\$'000	At 31 March 2012 HK\$'000
Current	164,501	126,299
Less than 1 month past due	54,029	26,951
1 to 3 months past due	3,318	12,401
More than 3 months but less than 12 months past due	2,791	1,449
Trade debtors and bills receivable	224,639	167,100
Deposits, prepayments and other receivables	46,505	47,896
	<u>271,144</u>	<u>214,996</u>

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

## 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 2012 HK\$'000	At 31 March 2012 HK\$'000
<b>By date of invoice</b>		
Within 1 month	36,638	49,129
Over 1 month but within 3 months	22,866	11,492
Over 3 months	2,017	444
Trade creditors and bills payable	61,521	61,065
Accruals and other payables	159,075	153,107
	<u>220,596</u>	<u>214,172</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.

## 10. BANK LOAN

At 30 September 2012, the bank loan, which was repayable within 5 years but with a repayment on demand clause, was secured by a mortgage over certain land and buildings with an aggregate carrying value of HK\$37,192,000.

## **BUSINESS REVIEW**

The Group's turnover of HK\$800 million for the 6 months ended 30 September 2012 represents an increase of HK\$29 million or 4% over the same period last year. The profit attributable to the shareholders was HK\$33 million compared with a loss of HK\$5.9 million in the corresponding period. Further analysis of the operating results is set out in the following paragraphs.

Although the Toys Division only recorded a small increase in turnover of HK\$12 million or 3% to HK\$374 million, its operating profit for the period was HK\$36.3 million against HK\$5.4 million last year. The improved result was attributable to the Division's efforts in improving the operating efficiency.

The business of the Computer Products Division remained stable and the Division continued to record satisfactory results during the period. However with the turnover of the Division increasing by HK\$8 million or 5% over the previous year to HK\$162 million, the operating profit dropped HK\$2.7million to HK\$26.3 million due to price concession offered on the Division's main product line.

The Housewares Division continued to experience a difficult trading environment during the first half of the financial year. However, although the turnover of HK\$75 million remained at a similar level as last year, the operating loss has shrunk from HK\$11.7 million to HK\$1.4 million as a result of savings achieved from the closure of Herald Metal Products Company Limited in Shanghai.

The performance of the Timepiece Division for the 6 months ended 30 September 2012 has remained difficult. The turnover increased to HK\$188 million from HK\$179 million in the corresponding period and the profit was HK\$0.2 million, down from HK\$4.7 million in the previous year.

The Group recorded net realized and unrealized gains on trading securities of HK\$0.7million for the period under review compared to losses of HK\$25.9 million in the same period last year. At 30 September 2012, the Group's trading securities increased to HK\$167 million from HK\$162 million as at the beginning of the financial year.

In addition, the Group provided a loss of HK\$10.2 million on its investment in Ventura Watches AG because the management considers that in view of poor market conditions brought about by the worrying state of the economy in Europe, the value of the investment may not be recovered in the foreseeable future.

In July 2012, the Group completed an 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 by internal funding and bank borrowings of HK\$17.8 million, repayable within 5 years and with the property pledged as security.

## **FINANCIAL POSITION**

The Group continues to exercise prudence in managing its financial resources. As in the past, the Group maintains a good liquidity position. At 30 September 2012, the Group's net cash surplus was HK\$236 million, (at 31 March 2012: HK\$279 million).

The Group's total current assets as at 30 September 2012 was HK\$878 million (at 31 March 2012: HK\$875 million). The trade and other receivables amounted to HK\$271 million (at 31 March 2012: HK\$215 million) and current liabilities HK\$260 million (at 31 March 2012: HK\$222 million). The trading securities increased to HK\$167 million from HK\$162 million as at the beginning of the

financial year. Trading securities and bank deposits totalling HK\$182 million (at 31 March 2012: HK\$179 million) are pledged to the banks to secure banking facilities granted to the Group.

At 30 September 2012, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 3.38 compared to 3.97 at 30 September 2011. 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 2.20 at 30 September 2011.

## **PROSPECTS AND GENERAL OUTLOOK**

Despite the favourable results in the first half of the financial year, the management is concerned about the Group's performance in the second half as the latest order position showed a significant drop as compared with the same time last year. The management considers that the depressed consumer market and unfavourable trading environment will continue to affect both the business volume and the profit margin of the Group for the rest of the current financial year.

On the other hand, the Computer Products Division which mainly manufactures industrial components for computer manufacturers is expected to record satisfactory results in the second half of the fiscal year..

The management hopes that the Group will be able to report an improved operating result for the year ending 31 March 2013 over the previous year.

## **CONTINGENT LIABILITIES**

As at 30 September 2012, 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 (2011: HK3 cents). The total amount of dividend payment of HK\$18,075,000 (2011: HK\$18,075,000) was based on the total number of shares in issue as at 28 November 2012, being the latest practicable date prior to the announcement of the interim results. Dividend will be payable on Friday, 11 January 2013 to shareholders registered in the Register of Members on Friday, 28 December 2012.

## **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, 24 December 2012 to Friday, 28 December 2012, 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, Hong Kong for registration no later than 4:30 p.m. on Friday, 21 December 2012.

## **EMPLOYEES**

As at 30 September 2012, the number of employees of the Group was 252 (2011: 250) in Hong Kong, 5,766 (2011: 7,524) in the Mainland China and 103 (2011: 106) in Europe. Total staff costs for the period under review amounted to HK\$232,289,000 (2011: HK\$226,919,000). 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 2012.

## **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 Thong Yeung Sum Michael. The terms of reference of the remuneration committee have been included on the Company's website.

## **NOMINATION COMMITTEE**

The Company established a nomination committee on 26 March 2012. 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 2012 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 2012 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, 29 November 2012

*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 Thong Yeung Sum Michael FCCA, CPA*

*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*