

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## 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 2015

#### 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 2015, together with the comparative figures for the corresponding period in 2014, as follows:

#### Consolidated Income Statement – Unaudited

*For the six months ended 30 September 2015*

		Six months ended 30 September	
	Note	2015 HK\$'000	2014 HK\$'000
<b>Turnover</b>	3	<b>813,987</b>	702,955
Cost of sales		<u>(632,659)</u>	<u>(536,137)</u>
<b>Gross profit</b>		<b>181,328</b>	166,818
Other revenue		<b>5,554</b>	5,747
Other net (loss)/gain		<b>(9,236)</b>	8,662
Selling expenses		<b>(19,367)</b>	(26,186)
Administrative expenses		<u><b>(131,850)</b></u>	<u>(131,791)</u>
<b>Profit from operations</b>		<b>26,429</b>	23,250
Finance cost		<u><b>(109)</b></u>	<u>(158)</u>
<b>Profit before taxation</b>	4	<b>26,320</b>	23,092
Income tax	5	<u><b>(9,666)</b></u>	<u>(5,390)</u>
<b>Profit for the period</b>		<u><b>16,654</b></u>	<u>17,702</u>

**Consolidated Income Statement – Unaudited (Continued)**  
*For the six months ended 30 September 2015*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2015</b>	<b>2014</b>
	<b>Note</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>17,958</b>	18,877
Non-controlling interests		<u><b>(1,304)</b></u>	<u>(1,175)</u>
<b>Profit for the period</b>		<u><b>16,654</b></u>	<u>17,702</u>
<b>Interim dividends</b>		<u><b>18,075</b></u>	<u>18,075</u>
<b>Interim dividends per share</b>		<u><b>3 cents</b></u>	<u>3 cents</u>
<b>Earnings per share</b>	6		
- Basic and diluted		<u><b>2.98 cents</b></u>	<u>3.13 cents</u>

**Consolidated Statement of Comprehensive Income - Unaudited***For the six months ended 30 September 2015*

	<b>Six months ended 30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the period</b>	<b>16,654</b>	<b>17,702</b>
<b>Other comprehensive income for the period</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong (no tax effect)	<u>(5,548)</u>	<u>2,990</u>
<b>Total comprehensive income for the period</b>	<u><b>11,106</b></u>	<u><b>20,692</b></u>
<b>Attributable to:</b>		
Equity shareholders of the company	<b>12,573</b>	<b>21,791</b>
Non-controlling interests	<u><b>(1,467)</b></u>	<u><b>(1,099)</b></u>
<b>Total comprehensive income for the period</b>	<u><b>11,106</b></u>	<u><b>20,692</b></u>

**Consolidated Balance Sheet - Unaudited***At 30 September 2015*

		As at 30 September 2015 HK\$'000	As at 31 March 2015 HK\$'000
	Note		
<b>Non-current assets</b>			
Fixed assets	7		
- Property, plant and equipment		282,082	267,389
- Investment properties		6,980	6,980
- Interests in leasehold land held for own use under operating leases		3,995	4,057
		<u>293,057</u>	<u>278,426</u>
Intangible assets		1,860	1,860
Other financial assets		20,435	18,040
Deferred tax assets		11,525	13,037
		<u>326,877</u>	<u>311,363</u>
<b>Current assets</b>			
Trading securities		141,930	169,990
Inventories		207,410	188,059
Trade and other receivables	8	329,429	190,142
Pledged bank balances		2,673	5,060
Cash and cash equivalents		147,493	172,171
		<u>828,935</u>	<u>725,422</u>
<b>Current liabilities</b>			
Trade and other payables	9	282,044	178,417
Bank loan		6,813	8,612
Current tax payable		15,797	9,082
		<u>304,654</u>	<u>196,111</u>
<b>Net current assets</b>		<u>524,281</u>	<u>529,311</u>
<b>Total assets less current liabilities</b>		<u>851,158</u>	<u>840,674</u>

**Consolidated Balance Sheet – Unaudited (Continued)***At 30 September 2015*

	Note	As at 30 September 2015 HK\$'000	As at 31 March 2015 HK\$'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		147	147
Provision for long service payments		3,077	3,380
		<u>3,224</u>	<u>3,527</u>
<b>NET ASSETS</b>		<u>847,934</u>	<u>837,147</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		46,994	46,994
Reserves		783,810	771,237
<b>Total equity attributable to equity shareholders of the Company</b>		<b>830,804</b>	818,231
<b>Non-controlling interests</b>		<b>17,130</b>	18,916
<b>TOTAL EQUITY</b>		<u>847,934</u>	<u>837,147</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 27 November 2015.

The interim financial results have been prepared in accordance with the same accounting policies adopted in the 2014/2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015/2016 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 2015 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 2015 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 2015.

## **2. CHANGES IN ACCOUNTING POLICIES**

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group and the Company.

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

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

## **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 and to gain from the appreciation in the properties’ values in the long term.

**(a) Segment results, assets and liabilities**

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 2015 and 2014 is set out below.

Six months ended 30 September 2015							
	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	496,579	115,567	61,050	140,791	-	-	813,987
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	496,579	115,567	61,050	140,791	-	-	813,987
Reportable segment profit/(loss)	45,995	2,919	(5,138)	(2,520)	(10,280)	113	31,089

  

As at 30 September 2015							
	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	454,692	196,199	114,809	153,055	144,603	48,236	1,111,594
Reportable segment liabilities	177,733	38,602	41,026	42,968	-	6,909	307,238

Six months ended 30 September 2014							
	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	321,895	117,761	81,687	181,612	-	-	702,955
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	321,895	117,761	81,687	181,612	-	-	702,955
Reportable segment profit/(loss)	12,685	8,871	2,379	(1,227)	6,795	220	29,723

As at 31 March 2015							
	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	345,523	183,314	111,871	139,262	175,050	49,644	1,004,664
Reportable segment liabilities	100,466	24,446	36,406	34,865	-	8,684	204,867



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

	<b>Six months ended 30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit</b>		
Reportable segment profit	<b>31,089</b>	29,723
Unallocated corporate income and expenses	<b>(4,769)</b>	(6,631)
Consolidated profit before taxation	<b>26,320</b>	23,092
	<b>At 30 September</b>	<b>At 31 March</b>
	<b>2015</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Assets</b>		
Reportable segment assets	<b>1,111,594</b>	1,004,664
Elimination of inter-segment receivables	<b>(19,787)</b>	(19,306)
	<b>1,091,807</b>	985,358
Deferred tax assets	<b>11,525</b>	13,037
Unallocated corporate assets	<b>52,480</b>	38,390
Consolidated total assets	<b>1,155,812</b>	1,036,785
	<b>At 30 September</b>	<b>At 31 March</b>
	<b>2015</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Liabilities</b>		
Reportable segment liabilities	<b>307,238</b>	204,867
Elimination of inter-segment payables	<b>(19,787)</b>	(19,306)
	<b>287,451</b>	185,561
Current tax payable	<b>15,797</b>	9,082
Deferred tax liabilities	<b>147</b>	147
Unallocated corporate liabilities	<b>4,483</b>	4,848
Consolidated total liabilities	<b>307,878</b>	199,638

**(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 30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue from external customers</b>		
Hong Kong (place of domicile)	<u>46,090</u>	<u>33,115</u>
North America	391,526	355,147
United Kingdom	134,274	130,288
Europe (excluding United Kingdom)	121,427	84,289
Asia (excluding Mainland China and Hong Kong)	34,095	33,775
Mainland China	30,490	29,975
Others	<u>56,085</u>	<u>36,366</u>
	<u>767,897</u>	<u>669,840</u>
	<u>813,987</u>	<u>702,955</u>

**4. PROFIT BEFORE TAXATION**

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

	<b>Six months ended 30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(a) Finance cost</b>		
Interest on bank loan wholly repayable within 5 years	<u>109</u>	<u>158</u>
<b>(b) Other items</b>		
Depreciation	13,987	13,294
Amortisation of land lease premium	62	62
Net loss/(gain) on disposal of fixed assets	614	(169)
Net realised and unrealised losses/(gains) on trading securities	12,210	(4,890)
Staff costs	264,963	222,107
Interest income		
- trading securities	(706)	(604)
- deposits with banks	(275)	(360)
- other loans	(636)	(45)
Rental income	(540)	(431)
Dividend income	(1,225)	(1,301)
Reversal of impairment loss on other receivables	<u>-</u>	<u>(4,914)</u>

## 5. INCOME TAX

	<b>Six months ended 30 September</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Current tax - Hong Kong Profits Tax	<b>6,437</b>	4,691
Current tax - Outside Hong Kong	<b>1,716</b>	1,368
Deferred tax	<b>1,513</b>	(669)
	<b>9,666</b>	5,390

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2014: 16.5%) to the six months ended 30 September 2015. Taxation for subsidiaries outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

## 6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$17,958,000 (2014: HK\$18,877,000) and the weighted average number of shares of 602,491,000 (2014: 602,491,000) in issue during the period.

There were no dilutive potential shares in existence during the periods ended 30 September 2015 and 2014, and therefore diluted earnings per share is the same as the basic earnings 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 2015	267,389	6,980	4,057	278,426
Additions	32,062	-	-	32,062
Disposals	(643)	-	-	(643)
Depreciation/amortisation	(13,987)	-	(62)	(14,049)
Exchange adjustments	(2,739)	-	-	(2,739)
<b>Net book value as at 30 September 2015</b>	<b>282,082</b>	<b>6,980</b>	<b>3,995</b>	<b>293,057</b>

## 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 2015 HK\$'000	At 31 March 2015 HK\$'000
<b>By date of invoice</b>		
Within 3 months	237,161	122,492
3 to 6 months	15,847	4,653
6 to 12 months	22,618	36,608
12 to 18 months	19,041	88
Over 18 months	247	-
Trade debtors and bills receivable	294,914	163,841
Deposits, prepayments and other receivables	34,515	26,301
	<b>329,429</b>	<b>190,142</b>

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. Trade debtors and bills receivable are normally due within 90 days from the date of billing. Except for the trade debtors amounting to HK\$18,686,000 (at 31 March 2015: HK\$26,992,000) which are expected to be recovered after more than one year, all other trade and other receivables are expected to be recovered or recognised as expenses within one year.

## 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 2015 HK\$'000	At 31 March 2015 HK\$'000
<b>By date of invoice</b>		
Within 1 month	40,399	33,360
Over 1 month but within 3 months	35,762	4,922
Over 3 months	1,634	3,011
Trade creditors and bills payable	77,795	41,293
Accruals and other payables	204,249	137,124
	<b>282,044</b>	<b>178,417</b>

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.

## **BUSINESS REVIEW**

The Group's turnover for the six months ended 30 September 2015 amounted to HK\$814 million which was up 16% from HK\$703 million in the corresponding period last year. The profit attributable to the shareholders for the same period was HK\$17.9 million, representing a decline of 5% as compared with HK\$18.9 million a year earlier. Further analysis of the operating results is set out in the following paragraphs.

In the first half of the financial year, the turnover of the Toys Division reached a record high of HK\$497 million, up 54% from HK\$322 million in the year-ago period or equal to 88% of the turnover for the whole year ended 31 March 2015. The increase was mainly attributable to the strong sales of toys related to a popular movie which will be released in December 2015. Because of higher turnover, the first-half operating profit of the division surged to HK\$46.0 million from HK\$12.7 million a year earlier.

The Computer Products Division continued to face challenges in its tape head and thermostat businesses. However, these were partly offset by the shipments of the newly-developed product, the smart connected devices. Compared to the same period last year, the half-yearly sales of the division edged downwards by 2% from HK\$118 million to HK\$116 million. The division recorded an operating profit of HK\$2.9 million in the first half of the financial year, down from HK\$8.9 million a year earlier.

Due to a fire accident at our Zhuhai factory in May 2015 that caused a suspension of production for five weeks, the half-yearly turnover of the Housewares Division fell 25% year-on-year from HK\$82 million to HK\$61 million. Up to the end of September 2015, the total losses attributable to the fire accident amounted to approximately HK\$4.2 million. The actual losses will depend on the amount to be recovered from insurance claims. During the period under review, the division recorded an operating loss of HK\$5.1 million as compared with an operating profit of HK\$2.4 million in the corresponding period last year.

Amid a sluggish retail environment, the Timepieces Division saw its half-yearly turnover drop by 22% to HK\$141 million from HK\$182 million in the previous year. Despite stringent measures taken to control operating costs, the division's operating loss increased to HK\$2.6 million from HK\$1.2 million a year earlier.

In the midst of a volatile financial market stirred by concerns of an interest rate hike in the United States and China's slowing economy, the Group recorded net realised and unrealised losses on trading securities of HK\$12.2 million during the period as compared with gains of HK\$4.9 million a year ago. At 30 September 2015, the Group's trading securities decreased to HK\$142 million from HK\$170 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 sound liquidity position. At 30 September 2015, the Group's cash surplus amounted to HK\$150 million (at 31 March 2015: HK\$177 million).

At 30 September 2015, the Group's total current assets were HK\$829 million (at 31 March 2015: HK\$725 million). The trade and other receivables amounted to HK\$329 million (at 31 March 2015: HK\$190 million) and the current liabilities HK\$305 million (at 31 March 2015: HK\$196 million) which included a mortgage balance of HK\$7 million (at 31 March 2015: HK\$9 million) secured by one of the Group's properties with a carrying value of HK\$33 million (at 31 March 2015: HK\$34

million). Certain trading financial assets and bank deposits totalling HK\$126 million (at 31 March 2015: HK\$155 million) are pledged to the banks to secure banking facilities granted to the Group.

The Group monitors its capital structure on the basis of gearing ratio, which is calculated as total liabilities over total assets. The gearing ratio of the Group as at 30 September 2015 was 27% (at 31 March 2015: 19%).

As at 30 September 2015, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 2.72 compared to 3.70 at 31 March 2015. The quick ratio, another ratio that gauges the short-term liquidity and measured by trade debtors and cash and cash equivalent over current liabilities, decreased to 1.45 from 1.71 at 31 March 2015.

## **PROSPECTS AND GENERAL OUTLOOK**

Based on the current order position of the Toys Division, the management is confident that the division will continue to record satisfactory results in the second half of the financial year. On the other hand, the business of thin-film heads remains soft. However, with the increase in demand for both thermostats and smart connected devices, the prospects for the Computer Products Division are still positive. Due to the fire accident, the Housewares Division will likely record a loss for the current year. Nonetheless, the management expects that the division's results will improve in the coming year. Meanwhile, the management is aware of the challenging times ahead for the Timepieces Division amid weak consumer spending and is developing new product lines to increase sales of the division.

On the whole, the management believes that the Group's core business activities will be profitable in the second half of the financial year.

## **CONTINGENT LIABILITIES**

As at 30 September 2015, 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 Renminbi, 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 (2014: HK3 cents). The total amount of dividend payment of HK\$18 million (2014: HK\$18 million) was based on the total number of shares in issue as at 26 November 2015, being the latest practicable date prior to the announcement of the interim results. The dividend will be paid on Friday, 15 January 2016 to shareholders registered in the Register of Members on Thursday, 31 December 2015.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed from Wednesday, 30 December 2015 to Thursday, 31 December 2015, 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 29 December 2015.

## **EMPLOYEES**

As at 30 September 2015, the number of employees of the Group was 233 (2014: 240) in Hong Kong, 6,685 (2014: 4,329) in the Mainland China and 71 (2014: 77) in Europe. Total staff costs for the period under review amounted to HK\$264,963,000 (2014: HK\$222,107,000). 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 2015.

## **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 Shum Kam Hung. The terms of reference of the remuneration committee have been included on the Company's website.

## **NOMINATION COMMITTEE**

The nomination committee consists of two executive directors, namely Mr Robert Dorfman, being the chairman, and Dr Cheung Tsang Kay Stan 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 2015 with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules except for the followings:

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.

An independent non-executive director was absent from the annual general meeting held on 16 September 2015 due to other business commitments, which deviates from the code provision A.6.7.

## 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 2015 containing all the information required by the Listing Rules will be dispatched to the shareholders and published on the same websites in due course.

By Order of the Board  
**Robert Dorfman**  
Chairman

Hong Kong, 27 November 2015

*As at the date of this announcement, the Board of Directors of the Company comprises the following directors:*

*Executive Directors:*

*Mr Robert Dorfman*

*Mr Shum Kam Hung ACIS, CPA*

*Dr Cheung Tsang Kay Stan PhD, Hon LLD, Hon DBA, JP*

*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*