



# 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 2014

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 2014, together with the comparative figures for the previous year and selected explanatory information, as follows:

#### Consolidated income statement

For the year ended 31 March 2014

|  | 2014<br>HK\$'000         | 2013<br>HK\$'000  |
|--|--------------------------|-------------------|
| <b>Turnover</b>                                    | <b>1,339,770</b>         | 1,344,898         |
| Cost of sales                                      | <u>(1,006,382)</u>       | <u>(999,598)</u>  |
| <b>Gross profit</b>                                | <b>333,388</b>           | 345,300           |
| Other revenue                                      | <b>14,112</b>            | 16,431            |
| Other net gain/(loss)                              | <b>8,473</b>             | (2,090)           |
| Selling expenses                                   | <b>(44,037)</b>          | (42,111)          |
| Administrative expenses                            | <b>(268,873)</b>         | (275,116)         |
| Valuation gains on investment properties           | <b>210</b>               | 780               |
| Impairment losses on property, plant and equipment | <u><b>(496)</b></u>      | <u>(950)</u>      |
| <b>Profit from operations</b>                      | <b>42,777</b>            | 42,244            |
| Finance cost                                       | <b>(385)</b>             | (308)             |
| Share of profit less loss of an associate          | <b>(432)</b>             | 25                |
| Share of profits less losses of joint ventures     | <u><b>(225)</b></u>      | <u>(526)</u>      |
| <b>Profit before taxation</b>                      | <b>41,735</b>            | 41,435            |
| Income tax   | <u><b>(14,304)</b></u>   | <u>(16,721)</u>   |
| <b>Profit for the year</b>                         | <u><b>27,431</b></u>     | <u>24,714</u>     |
| <b>Attributable to:</b>                            |                          |                   |
| Equity shareholders of the Company                 | <b>26,474</b>            | 22,989            |
| Non-controlling interests                          | <u><b>957</b></u>        | <u>1,725</u>      |
| <b>Profit for the year</b>                         | <u><b>27,431</b></u>     | <u>24,714</u>     |
| <b>Earnings per share</b>                          |                          |                   |
| Basic and diluted                                  | <u><b>4.39 cents</b></u> | <u>3.82 cents</u> |

**Consolidated statement of comprehensive income**  
**For the year ended 31 March 2014**

|   | <b>2014</b><br><b>HK\$'000</b> | 2013<br>HK\$'000     |
|---|--------------------------------|----------------------|
| <b>Profit for the year</b>  | <b>27,431</b>                  | 24,714               |
| <b>Other comprehensive income for the year</b>  |                                |                      |
| <i>Items that may be reclassified<br/>subsequently to profit or loss:</i>   |                                |                      |
| Exchange differences on translation of<br>financial statements of subsidiaries<br>outside Hong Kong (no tax effect) | <u>(1,431)</u>                 | <u>2,032</u>         |
| <b>Total comprehensive income for the year</b>  | <u><b>26,000</b></u>           | <u>26,746</u>        |
| <b>Attributable to:</b>   |                                |                      |
| Equity shareholders of the Company  | <b>25,026</b>                  | 24,933               |
| Non-controlling interests   | <u><b>974</b></u>              | <u>1,813</u>         |
| <b>Total comprehensive income for the year</b>  | <u><u><b>26,000</b></u></u>    | <u><u>26,746</u></u> |

**Consolidated balance sheet**  
**At 31 March 2014**

|  | 2014<br>HK\$'000 | 2013<br>HK\$'000 |
|--|------------------|------------------|
| <b>Non-current assets</b>  |                  |                  |
| Fixed assets   |                  |                  |
| - Property, plant and equipment  | 263,146          | 255,534          |
| - Investment properties  | 6,040            | 6,680            |
| - Interests in leasehold land held for<br>own use under operating leases | 4,180            | 4,399            |
|  | <u>273,366</u>   | <u>266,613</u>   |
| Intangible assets  | 1,860            | 1,860            |
| Interest in an associate   | -                | 1,968            |
| Interests in joint ventures  | -                | 225              |
| Other financial assets   | 10,920           | 14,820           |
| Deferred tax assets  | 9,217            | 10,552           |
|  | <u>295,363</u>   | <u>296,038</u>   |
| <b>Current assets</b>  |                  |                  |
| Trading securities   | 180,619          | 208,953          |
| Inventories  | 209,113          | 209,185          |
| Trade and other receivables  | 191,170          | 177,212          |
| Current tax recoverable  | -                | 2,889            |
| Pledged bank balances  | 18,017           | 12,882           |
| Cash and cash equivalents  | 196,507          | 184,031          |
|  | <u>795,426</u>   | <u>795,152</u>   |
| <b>Current liabilities</b>   |                  |                  |
| Trade and other payables   | 203,738          | 184,788          |
| Bank loan  | 12,136           | 15,565           |
| Current tax payable  | 8,033            | 6,564            |
|  | <u>223,907</u>   | <u>206,917</u>   |
| <b>Net current assets</b>  | <u>571,519</u>   | <u>588,235</u>   |
| <b>Total assets less current liabilities</b>                             | <u>866,882</u>   | <u>884,273</u>   |

|  | 2014<br>HK\$'000      | 2013<br>HK\$'000 |
|--|-----------------------|------------------|
| <b>Non-current liabilities</b>   |                       |                  |
| Deferred tax liabilities   | 261                   | 245              |
| Provision for long service payments                                    | 3,581                 | 3,653            |
|  | <u>3,842</u>          | <u>3,898</u>     |
| <b>NET ASSETS</b>  | <u><b>863,040</b></u> | <u>880,375</u>   |
| <b>CAPITAL AND RESERVES</b>  |                       |                  |
| Share capital  | 46,994                | 46,994           |
| Reserves   | 796,502               | 813,651          |
| <b>Total equity attributable to equity shareholders of the Company</b> | <b>843,496</b>        | 860,645          |
| <b>Non-controlling interests</b>                                       | <u><b>19,544</b></u>  | <u>19,730</u>    |
| <b>TOTAL EQUITY</b>  | <u><b>863,040</b></u> | <u>880,375</u>   |

## BUSINESS REVIEW

The turnover of the Group for the year ended 31 March 2014 was HK\$1,340 million which was slightly down from HK\$1,345 million in the previous year. The net profit attributable to the equity shareholders of the Company was HK\$26.5 million representing an increase of 15% over HK\$23.0 million in last year. Detailed analysis of the operating results is set out in the following paragraphs.

### Toys Division

Given that the trading environment in the toy industry continued to be difficult, the division recorded a satisfactory result for the year compared to a year ago, mainly due to savings achieved from improved operating efficiency. The turnover increased by 5% to HK\$585 million and the operating profit amounted to HK\$22.8 million, up 4% from HK\$22.0 million last year.

### Computer Products Division

The Computer Products Division had a less successful year because of price pressures from our customers, which brought the gross profit margin down by 5% from the previous year. Total sales amounted to HK\$290 million, a decline of 2% from last year but the operating profit decreased to HK\$31.3 million from HK\$43.9 million a year ago.

### Housewares Division

As with the Toys Division, the Housewares Division has been successful in bringing the operating overheads under tighter control. While the turnover remained at the same level of last year at HK\$131 million, the loss was reduced from HK\$7.0 million in the previous year to HK\$2.8 million.

## **Timepieces Division**

The performance of the Timepieces Division remained unsatisfactory, and the turnover dropped by 7% to HK\$333 million. To cope with the continuously sluggish markets in the United Kingdom and some other European countries, the division underwent a restructuring by streamlining its operations which gave rise to an one-off expense of HK\$13.7 million, and recorded an operating loss of HK\$16.7 million compared to HK\$1.9 million last year.

## **Other Investments**

The Group had a gain of HK\$0.2 million (2013: HK\$0.8 million) on the revaluation of the investment properties for the year ended 31 March 2014. Net realised and unrealised gains amounting to HK\$1.6 million (2013: HK\$9.0 million) were recorded on trading securities. The dividend and interest income on trading securities amounted to HK\$4.0 million for the year (2013: HK\$4.9 million). At 31 March 2014, the Group's trading securities amounted to HK\$181 million, a decrease of HK\$28 million from last year.

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

The Group continues to maintain in sound financial health. At the end of the financial year, the Group had a strong balance sheet with healthy liquidity. At 31 March 2014, the total assets amounted to HK\$1,091 million (2013: HK\$1,092 million) which were financed by current liabilities of HK\$224 million (2013: HK\$207 million) including a mortgage loan of HK\$12 million (2013: HK\$16 million), non-current liabilities of HK\$4 million (2013: HK\$4 million), non-controlling interests of HK\$20 million (2013: HK\$20 million) and equity attributable to the Company's equity shareholders of HK\$843 million (2013: HK\$861 million).

At 31 March 2014, the Group's cash balances aggregated to HK\$215 million, up from HK\$197 million a year ago. The current assets as at 31 March 2014 amounted to HK\$795 million (2013: HK\$795 million). The inventories remained at HK\$209 million as at last year end and the trade and other receivables increased from HK\$177 million to HK\$191 million. The trading financial assets at 31 March 2014 amounted to HK\$181 million (2013: HK\$209 million)

At 31 March 2014, the Group's current liabilities increased to HK\$224 million from HK\$207 last year. Certain trading financial assets and bank deposits amounting to HK\$108 million (2013: HK\$191 million) were pledged to banks to secure banking facilities granted to the Group.

At 31 March 2014, the working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 3.55 as compared to 3.84 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, slightly increased to 1.58 from 1.57 in the previous year.

## **PROSPECT AND GENERAL OUTLOOK**

The trading environment for both the Toys and Housewares Divisions are expected to continue to be difficult in the current financial year. However, it is hoped that these divisions will record more favourable results due to cost savings achieved from improved operating efficiency. The Computer Products Division will experience a decrease in the volume of thin-film heads but it is likely that the decrease will be compensated by the increase in the demand of the smart thermostats such that the division will maintain its profitability. With the restructuring of the operations and the expansion of the markets in Asia and North America, the Timepieces Division is now in a better position to return to profit in the current fiscal year.

As the global economy has been recovering at a slower pace than anticipated, the current financial year continues to be challenging for the Group. Nevertheless, the Group has made every effort to improve operating efficiency and expand its customer base so as to remain competitive under the difficult business environment. In consequence, the management believes that the Group's core businesses are capable of sustaining the overall profitability in the year ending 31 March 2015.

## **DIVIDEND**

At the forthcoming Annual General Meeting to be held on 11 September 2014, the directors will recommend a final dividend of HK4 cents per share (2013: HK4 cents). Together with the interim dividend of HK3 cents (2013: HK3 cents), the dividend for the year of HK7 cents (2013: HK7 cents) would represent an annual return of 8% (2013: 8%) on the Company's average share price of HK\$0.88 (2013: HK\$0.88) in the year ended 31 March 2014.

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 2014, being the latest practicable date prior to the announcement of the results.

## **REGISTER OF MEMBERS**

The Annual General Meeting is scheduled to be held on Thursday, 11 September 2014. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 8 September 2014 to Thursday, 11 September 2014, 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4.30 p.m. on Friday, 5 September 2014.

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 Friday, 19 September 2014. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 18 September 2014 to Friday, 19 September 2014, 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 Wednesday, 17 September 2014. The payment of

final dividend, if approved at the Annual General Meeting, will be made on Friday, 10 October 2014.

Herald Holdings Ltd  
Hong Kong, 27 June 2014

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|------------------|--------------------|-----------|
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*\*For identification only*