



# 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 2011

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 2011, together with the comparative figures for the corresponding period in 2010, as follows:

#### Consolidated Income Statement – Unaudited

*For the six months ended 30 September 2011*

	<b>Six months ended 30 September</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Turnover</b>	<b>771,450</b>	937,216
Cost of sales	<u>(612,041)</u>	<u>(720,220)</u>
<b>Gross profit</b>	<b>159,409</b>	216,996
Other revenue	<b>10,336</b>	8,653
Other net (loss)/ income	<b>(29,399)</b>	5,167
Selling expenses	<b>(21,232)</b>	(25,792)
Administrative expenses	<u><b>(118,968)</b></u>	<u>(119,343)</u>
<b>Profit from operations</b>	<b>146</b>	85,681
Finance costs	-	-
Share of losses of jointly controlled entities	<b>(1,286)</b>	(274)
Share of (loss)/profit of associate	<u><b>(189)</b></u>	<u>142</u>
<b>(Loss)/profit before taxation</b>	<b>(1,329)</b>	85,549
Income tax	<u><b>(5,583)</b></u>	<u>(23,063)</u>
<b>(Loss)/profit for the period</b>	<u><b>(6,912)</b></u>	<u>62,486</u>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(5,881)</b>	61,291
Non-controlling interests	<u><b>(1,031)</b></u>	<u>1,195</u>
<b>(Loss)/profit for the period</b>	<u><b>(6,912)</b></u>	<u>62,486</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>(Loss)/Earnings per share</b>		
- Basic and diluted	<u><b>(0.98 cents)</b></u>	<u>10.17 cents</u>

**Consolidated Balance Sheet - Unaudited**  
*At 30 September 2011*

	As at 30 September 2011 HK\$'000	As at 31 March 2011 HK\$'000
<b>Non-current assets</b>		
Fixed assets		
- Property, plant and equipment	195,694	194,887
- Investment properties	5,280	54,000
- Interests in leasehold land held for own use under operating leases	4,911	5,069
	<u>205,885</u>	<u>253,956</u>
Intangible assets	1,860	1,860
Interest in associate	2,822	3,082
Interest in jointly controlled entities	11,191	10,935
Other financial assets	4,680	4,680
Deferred tax assets	10,003	10,086
	<u>236,441</u>	<u>284,599</u>
<b>Current assets</b>		
Trading securities	176,430	156,242
Inventories	186,109	188,656
Trade and other receivables	269,063	183,708
Current tax recoverable	4,828	5,457
Pledged bank balances	5,583	49,593
Cash and cash equivalents	299,080	299,641
	<u>941,093</u>	<u>883,297</u>
<b>Current liabilities</b>		
Trade and other payables	220,894	206,746
Current tax payable	16,045	16,063
	<u>236,939</u>	<u>222,809</u>
<b>Net current assets</b>	<u>704,154</u>	<u>660,488</u>
<b>Total assets less current liabilities</b>	<u>940,595</u>	<u>945,087</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	187	248
Provision for long service payment	3,007	3,007
	<u>3,194</u>	<u>3,255</u>
<b>NET ASSETS</b>	<u>937,401</u>	<u>941,832</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	46,994	46,994
Reserves	868,109	870,758
<b>Total equity attributable to equity shareholders of the Company</b>	<u>915,103</u>	<u>917,752</u>
<b>Non-controlling interests</b>	<u>22,298</u>	<u>24,080</u>
<b>TOTAL EQUITY</b>	<u>937,401</u>	<u>941,832</u>

## **BUSINESS REVIEW**

The Group's turnover for the 6 months ended 30 September 2011 amounted to HK\$771 million, representing a decrease of HK\$166 million or 18% compared to the same period last year. Coupled with a significant decrease in the profit margin of the Toys and Housewares Divisions and heavy losses on investment securities, the Group reported a loss attributable to the shareholders of HK\$5.9 million against a profit of HK\$61.3 million in the corresponding period. Further analysis of the operating results is set out in the following paragraphs.

During the period, the Toys Division experienced the most difficult trading environment in recent years. Both sales volume and profit margin dropped significantly amid stiff competition among the toy manufacturers and rising costs of production. The turnover was HK\$362 million, representing a decrease of 26% from HK\$492 million in the previous year, with an operating profit of HK\$5.4 million compared to HK\$49.6 million a year ago.

The Computer Products Division continued to record encouraging results. While the turnover for the period dropped slightly from HK\$162 million in the previous corresponding period to HK\$155 million, the profit has increased to HK\$29 million from HK\$27.6 million last year.

As with the Toys Division, the business of the Housewares Division has been tough during the first half of the financial year. The turnover was HK\$76 million, down 8% from HK\$83 million in 2010. An operating loss of HK\$11.7 million was incurred compared to a profit of HK\$1.2 million a year ago mainly because the cost increase could not be fully recovered from the customers.

Due to the escalating operating cost in Shanghai, it was decided by all the shareholders of Herald Metal Products Company Limited to terminate production before 31 December 2011. The Housewares Division will transfer the production to its existing facility in Zhuhai.

The performance of the Timepiece Division for the 6 months ended 30 September 2011 has remained stable. Although the turnover decreased to HK\$179 million from HK\$201 million in the same period of the previous year, the profit was HK\$4.7 million, up from HK\$1.2 million in the previous year.

Due to the deterioration of the global investment market as of 30 September 2011, the Group recorded net realized and unrealized losses on trading securities of HK\$25.9 million for the period under review compared to gains of HK\$1.4 million in the same period last year. At 30 September 2011, the Group's trading securities increased to HK\$176 million from HK\$156 million as at the beginning of the financial year.

## **FINANCIAL POSITION**

The Group continues to exercise prudence in managing its financial resources. As in the past, the Group maintains a good liquidity position without any long term debt funding. At 30 September 2011, the Group's net cash surplus was HK\$305 million (at 31 March 2011: HK\$349 million). During the period under review, the Group spent HK\$14 million on capital expenditure.

The Group's total current assets as at 30 September 2011 was HK\$941 million (at 31 March 2011: HK\$883 million). The trade and other receivables amounted to HK\$269 million (at 31 March 2011: HK\$184 million) and current liabilities HK\$237 million (at 31 March 2011: HK\$223 million). The trading securities increased to HK\$176 million from HK\$156 million as at the beginning of the financial year. Trading securities and bank deposits totalling HK\$164 million (at 31 March 2011: HK\$187 million) are pledged to the banks to secure banking facilities granted to the Group.

At 30 September 2011, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 3.97 compared to 3.12 at 30 September 2010. 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 2.2 from 1.64 at 30 September 2010.

## **PROSPECTS AND GENERAL OUTLOOK**

The management is concerned that as the global economy remains uncertain and volatile, the market will continue to be depressed and the trading environment unfavourable. This will affect both the business volume and the profit margin of the Group, especially the Toys and Housewares Divisions.

Nevertheless, the Computer Products Division which mainly manufactures industrial components for computer manufacturers should continue to record satisfactory results in the year ending 31 March 2012. The performance of the Timepiece Division is expected to remain stable with efforts being made to expand the product range and customer base.

The management hopes that as in the first half, the Group's core business activities will be profitable in the second half of the financial year.

## **DIVIDENDS**

The Directors have declared an interim dividend of HK 3 cents per share (2010: HK3 cents). The total amount of dividend payment of HK\$18,075,000 (2010: HK\$18,075,000) was based on the total number of shares in issue as at 28 November 2011, being the latest practicable date prior to the announcement of the interim results. Dividend will be payable on Friday, 6 January 2012 to shareholders registered in the Register of Members on Friday, 23 December 2011.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed from Thursday, 22 December 2011 to Friday, 23 December 2011, 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 Wednesday, 21 December 2011.

Herald Holdings Limited  
Hong Kong, 29 November 2011

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*\*For identification only*