



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 2012

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

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

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

Consolidated Balance Sheet - Unaudited*At 30 September 2012*

	As at 30 September 2012 HK\$'000	As at 31 March 2012 HK\$'000
Non-current assets		
Fixed assets		
- 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
	<u>257,751</u>	<u>216,539</u>
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
	<u>292,168</u>	<u>259,626</u>
Current assets		
Trading securities	167,370	161,883
Inventories	201,674	215,928
Trade and other receivables	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
	<u>877,974</u>	<u>874,930</u>
Current liabilities		
Trade and other payables	220,596	214,172
Bank Loan	17,247	-
Current tax payable	21,768	8,084
	<u>259,611</u>	<u>222,256</u>
Net current assets	<u>618,363</u>	<u>652,674</u>
Total assets less current liabilities	<u>910,531</u>	<u>912,300</u>

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

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

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.

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.

Herald Holdings Limited
Hong Kong, 29 November 2012

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**For identification only*