



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 2014

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 2014, together with the comparative figures for the corresponding period in 2013, as follows:

Consolidated Income Statement – Unaudited

For the six months ended 30 September 2014

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Turnover	702,955	707,558
Cost of sales	<u>(536,137)</u>	<u>(545,965)</u>
Gross profit	166,818	161,593
Other revenue	5,747	8,376
Other net gain	8,662	4,701
Selling expenses	(26,186)	(23,602)
Administrative expenses	<u>(131,791)</u>	<u>(122,376)</u>
Profit from operations	23,250	28,692
Finance cost	(158)	(233)
Share of profit less loss of a joint venture	-	(225)
Share of profit less loss of an associate	<u>-</u>	<u>(144)</u>
Profit before taxation	23,092	28,090
Income tax	<u>(5,390)</u>	<u>(5,373)</u>
Profit for the period	<u>17,702</u>	<u>22,717</u>

Consolidated Income Statement – Unaudited (Continued)*For the six months ended 30 September 2014*

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Attributable to:		
Equity shareholders of the Company	18,877	22,499
Non-controlling interests	(1,175)	218
Profit for the period	<u>17,702</u>	<u>22,717</u>
Interim dividends	<u>18,075</u>	<u>18,075</u>
Interim dividends per share	<u>3 cents</u>	<u>3 cents</u>
Earnings per share		
- Basic and diluted	<u>3.13 cents</u>	<u>3.73 cents</u>

Consolidated Balance Sheet - Unaudited*At 30 September 2014*

	As at 30 September 2014 HK\$'000	As at 31 March 2014 HK\$'000
Non-current assets		
Fixed assets		
- Property, plant and equipment	271,721	263,146
- Investment properties	6,040	6,040
- Interests in leasehold land held for own use under operating leases	4,118	4,180
	<u>281,879</u>	<u>273,366</u>
Intangible assets	1,860	1,860
Other financial assets	16,770	10,920
Deferred tax assets	9,886	9,217
	<u>310,395</u>	<u>295,363</u>
Current assets		
Trading securities	177,894	180,619
Inventories	193,673	209,113
Trade and other receivables	255,091	191,170
Pledged bank balances	20,174	18,017
Cash and cash equivalents	173,773	196,507
	<u>820,605</u>	<u>795,426</u>
Current liabilities		
Trade and other payables	222,602	203,738
Bank Loan	10,387	12,136
Current tax payable	11,346	8,033
	<u>244,335</u>	<u>223,907</u>
Net current assets	<u>576,270</u>	<u>571,519</u>
Total assets less current liabilities	<u>886,665</u>	<u>866,882</u>

Consolidated Balance Sheet – Unaudited (Continued)

At 30 September 2014

	As at 30 September 2014 HK\$'000	As at 31 March 2014 HK\$'000
Non-current liabilities		
Deferred tax liabilities	261	261
Provision for long service payments	3,394	3,581
	<u>3,655</u>	<u>3,842</u>
NET ASSETS	<u>883,010</u>	<u>863,040</u>
CAPITAL AND RESERVES		
Share capital	46,994	46,994
Reserves	818,293	796,502
Total equity attributable to equity shareholders of the Company	865,287	843,496
Non-controlling interests	<u>17,723</u>	<u>19,544</u>
TOTAL EQUITY	<u>883,010</u>	<u>863,040</u>

BUSINESS REVIEW

The Group continued to trade in a difficult and uncertain business environment in the 6 months ended 30 September 2014. The turnover for the period amounted to HK\$703 million, slightly down from HK\$708 million last year. However, the profit attributable to the shareholders was HK\$18.9 million, representing a decline of 16% compared with HK\$22.5 million in the corresponding period. Further analysis of the operating results is set out in the following paragraphs.

Despite operating at a tight profit margin as a result of severe competition in the toy industry, the Toys Division recorded a satisfactory result for the period under review, as a result of cost savings achieved from improved operating efficiency. The turnover of HK\$322 million remained at a similar level as in the previous year and the operating profit was HK\$ 12.7 million, an increase of 43% from HK\$8.9 million a year ago.

The Computer Products Division continued to suffer a setback in its performance amid unfavourable trading conditions which further eroded the profit margin. The turnover amounted to HK\$118 million, down 20% from HK\$147 million in last year and the profit decreased to HK\$8.9 million from HK\$15.9 million in the previous year.

Following an increase in business volume in the 6 months to 30 September 2014, the Housewares Division recorded an improved result over the same period of the previous year. The turnover of HK\$82 million represented an increase of 35% as compared with HK\$60 million a year ago. The operating profit amounted to HK\$2.4 million while a loss of HK\$0.7 million was incurred in the previous year.

The Timepieces Division had similar operating results as last year. The turnover increased by 3% to HK\$182 million with a loss of HK\$1.2 million compared with HK\$0.7 million in the previous year.

During the period, the Group recorded net realized and unrealized gains of trading securities of HK\$4.9 million compared with losses of HK\$0.6 million a year ago. At 30 September 2014, the Group's trading securities decreased to HK\$178 million from HK\$181 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 2014, the Group's cash surplus amounted to HK\$194 million (at 31 March 2014: HK\$215 million).

At 30 September 2014, the Group's total current assets were HK\$821 million (at 31 March 2014: HK\$795 million). The trade and other receivables amounted to HK\$255 million (at 31 March 2014: HK\$191 million) and the current liabilities HK\$244 million (at 31 March 2014: HK\$224 million) which included a mortgage balance of HK\$10 million (at 31 March 2014: HK\$12 million) secured by one of the Group's properties with a carrying value of HK\$34 million (at 31 March 2014: HK\$35 million). Certain trading financial assets and bank deposits totalling HK\$177 million (at 31 March 2014: HK\$108 million) are pledged to the banks to secure banking facilities granted to the Group.

As at 30 September 2014, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 3.36 compared to 3.54 at 30 September 2013. 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 1.63 from 1.7 at 30 September 2013.

PROSPECTS AND GENERAL OUTLOOK

As the markets remain difficult, coupled with a relatively weak order position, it is anticipated that the turnover and profit margin will come under heavy pressure in the second half of the current financial year. The Toys and Housewares Divisions are expected to report a steady performance for the year ending 31 March 2015. The Computer Products Division will experience a challenging business environment but it is hoped that the division will return a profit for the remaining 6 months. However the Timepieces Division will struggle to be profitable under difficult trading conditions.

Nevertheless, the Management still believes that the Group will report an overall profit on its core business activities in the second half of the financial year.

DIVIDEND

The Directors have declared an interim dividend of HK3 cents per share (2013: HK3 cents). The total amount of dividend payment of HK\$18 million (2013: HK\$18 million) was based on the total number of shares in issue as at 27 November 2014, being the latest practicable date prior to the announcement of the interim results. The dividend will be paid on Thursday, 15 January 2015 to shareholders registered in the Register of Members on Wednesday, 31 December 2014.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed from Tuesday, 30 December 2014 to Wednesday, 31 December 2014, 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 Monday, 29 December 2014.

Herald Holdings Limited
Hong Kong, 28 November 2014

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**For identification only*