



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 2015

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

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

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

Consolidated Balance Sheet - Unaudited*At 30 September 2015*

	As at 30 September 2015 HK\$'000	As at 31 March 2015 HK\$'000
Non-current assets		
Fixed assets		
- 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>
Current assets		
Trading securities	141,930	169,990
Inventories	207,410	188,059
Trade and other receivables	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>
Current liabilities		
Trade and other payables	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>
Net current assets	<u>524,281</u>	<u>529,311</u>
Total assets less current liabilities	<u>851,158</u>	<u>840,674</u>

Consolidated Balance Sheet – Unaudited (Continued)

At 30 September 2015

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

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.

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.

Herald Holdings Limited
Hong Kong, 27 November 2015

Contact Person:

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**For identification only*