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HERALD HOLDINGS LIMITED

興利集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 00114)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

RESULTS

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 2016, together with the comparative figures for the corresponding period in 2015, as follows:

Consolidated statement of profit or loss – Unaudited

For the six months ended 30 September 2016

	Note	Six months ended 30 September	
		2016 HK\$'000	2015 HK\$'000
Revenue	3	649,893	813,987
Cost of sales		<u>(494,506)</u>	<u>(632,659)</u>
Gross profit		155,387	181,328
Other revenue		5,871	5,554
Other net loss		(2,326)	(9,236)
Selling expenses		(20,552)	(19,367)
Administrative expenses		(123,515)	(131,850)
Gain on disposal of non-current assets classified as held for sale	4(c)	<u>250,515</u>	-
Profit from operations		265,380	26,429
Finance cost	4(a)	<u>(115)</u>	<u>(109)</u>
Profit before taxation	4	265,265	26,320
Income tax	5	<u>(87,736)</u>	<u>(9,666)</u>
Profit for the period		<u>177,529</u>	<u>16,654</u>

Consolidated statement of profit or loss – Unaudited (Continued)*For the six months ended 30 September 2016*

		Six months ended	
		30 September	
	Note	2016	2015
		HK\$'000	HK\$'000
Attributable to:			
Equity shareholders of the Company		106,909	17,958
Non-controlling interests		70,620	<u>(1,304)</u>
Profit for the period		177,529	<u>16,654</u>
Earnings per share			
Basic	7	<u>17.74 cents</u>	<u>2.98 cents</u>
Diluted		<u>17.73 cents</u>	<u>2.98 cents</u>

Details of dividends payable to equity shareholders of the Company are set out in note 6.

Consolidated statement of profit or loss and other comprehensive income - Unaudited*For the six months ended 30 September 2016*

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Profit for the period	177,529	16,654
Other comprehensive income for the period		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong (no tax effect)	<u>(9,435)</u>	<u>(5,548)</u>
Total comprehensive income for the period	<u>168,094</u>	<u>11,106</u>
Attributable to:		
Equity shareholders of the Company	97,650	12,573
Non-controlling interests	<u>70,444</u>	<u>(1,467)</u>
Total comprehensive income for the period	<u>168,094</u>	<u>11,106</u>

Consolidated statement of financial position - Unaudited

At 30 September 2016

	Note	As at 30 September 2016 HK\$'000	As at 31 March 2016 HK\$'000
Non-current assets			
Investment properties	8	12,283	12,777
Other property, plant and equipment	8	305,265	268,715
Interests in leasehold land held for own use under operating leases	8	3,871	3,933
		<u>321,419</u>	<u>285,425</u>
Intangible assets		2,022	2,033
Interest in an associate		-	-
Interest in joint ventures		-	-
Other financial assets		9,840	11,340
Deferred tax assets		20,577	21,402
		<u>353,858</u>	<u>320,200</u>
Current assets			
Trading securities		147,254	142,704
Inventories		177,821	200,963
Trade and other receivables	9	224,645	219,145
Pledged bank balances		4,291	3,806
Cash and cash equivalents		351,856	176,042
Current tax recoverable		-	31
		<u>905,867</u>	<u>742,691</u>
Non-current assets classified as held for sale	4(c)	-	2,210
		<u>905,867</u>	<u>744,901</u>
Current liabilities			
Trade and other payables	10	218,957	215,344
Bank loans		15,345	4,989
Current tax payable		22,391	16,900
Dividends payable to equity shareholders of the Company		30,125	-
		<u>286,818</u>	<u>237,233</u>
Net current assets		<u>619,049</u>	<u>507,668</u>
Total assets less current liabilities		<u>972,907</u>	<u>827,868</u>

Consolidated statement of financial position – Unaudited (Continued)

At 30 September 2016

	Note	As at 30 September 2016 HK\$'000	As at 31 March 2016 HK\$'000
Non-current liabilities			
Deferred tax liabilities		8,020	238
Provision for long service payments		3,224	3,279
		<u>11,244</u>	<u>3,517</u>
NET ASSETS		<u>961,663</u>	<u>824,351</u>
CAPITAL AND RESERVES			
Share capital		46,994	46,994
Reserves		827,336	759,811
Total equity attributable to equity shareholders of the Company		<u>874,330</u>	<u>806,805</u>
Non-controlling interests		<u>87,333</u>	<u>17,546</u>
TOTAL EQUITY		<u>961,663</u>	<u>824,351</u>

NOTES:

1. BASIS OF PREPARATION

The interim financial results have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). It was authorised for issue on 29 November 2016.

The interim financial results have been prepared in accordance with the same accounting policies adopted in the 2015/2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016/2017 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of the interim financial results in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial results are unaudited, but have been reviewed by the Company’s audit committee.

The financial information relating to the financial year ended 31 March 2016 that is included in the interim financial results as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2016 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 June 2016.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2012-2014 Cycle*
- *Amendments to HKAS 1, Presentation of Financial Statements: Disclosure Initiative*

None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following six reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Toys : The manufacture, sale and distribution of toy products.
- Computer products : The manufacture and sale of computer products.
- Housewares : The manufacture, sale and distribution of housewares.
- Timepieces : The manufacture, sale and distribution of clocks, watches, and electronic and gift products.
- Investments : The investment in debt and equity securities, structured products and managed funds.
- Others : The leasing of properties to generate rental income and to gain from the appreciation in the properties’ values in the long term.

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2016 and 2015 is set out below.

	Six months ended 30 September 2016						
	Toys	Computer products	Housewares	Timepieces	Investments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	365,948	103,733	71,183	109,029	-	-	649,893
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	365,948	103,733	71,183	109,029	-	-	649,893
Reportable segment profit/(loss)	283,125	(3,572)	(1,269)	(6,711)	8,531	(186)	279,918

	As at 30 September 2016						
	Toys	Computer products	Housewares	Timepieces	Investments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	561,890	176,775	122,458	129,440	151,545	80,656	1,222,764
Reportable segment liabilities	145,725	20,088	38,888	31,695	-	16,547	252,943

Six months ended 30 September 2015

	Toys HK\$'000	Computer products HK\$'000	Housewares HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	Total HK\$'000
Revenue from external customers	496,579	115,567	61,050	140,791	-	-	813,987
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	<u>496,579</u>	<u>115,567</u>	<u>61,050</u>	<u>140,791</u>	<u>-</u>	<u>-</u>	<u>813,987</u>
Reportable segment profit/(loss)	<u>45,995</u>	<u>2,919</u>	<u>(5,138)</u>	<u>(2,520)</u>	<u>(10,280)</u>	<u>113</u>	<u>31,089</u>

As at 31 March 2016

	Toys HK\$'000	Computer products HK\$'000	Housewares HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment assets	<u>376,224</u>	<u>195,452</u>	<u>111,612</u>	<u>149,475</u>	<u>146,510</u>	<u>47,484</u>	<u>1,026,757</u>
Reportable segment liabilities	<u>140,559</u>	<u>26,208</u>	<u>33,648</u>	<u>32,532</u>	<u>-</u>	<u>6,357</u>	<u>239,304</u>

(b) Reconciliations of reportable segment profit, assets and liabilities

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Profit		
Reportable segment profit	279,918	31,089
Unallocated corporate income and expenses	<u>(14,653)</u>	<u>(4,769)</u>
Consolidated profit before taxation	<u>265,265</u>	<u>26,320</u>
	At 30 September	At 31 March
	2016	2016
	HK\$'000	HK\$'000
Assets		
Reportable segment assets	1,222,764	1,026,757
Elimination of inter-segment receivables	<u>(20,157)</u>	<u>(20,276)</u>
	1,202,607	1,006,481
Current tax recoverable	-	31
Deferred tax assets	20,577	21,402
Unallocated corporate assets	<u>36,541</u>	<u>37,187</u>
Consolidated total assets	<u>1,259,725</u>	<u>1,065,101</u>
	At 30 September	At 31 March
	2016	2016
	HK\$'000	HK\$'000
Liabilities		
Reportable segment liabilities	252,943	239,304
Elimination of inter-segment payables	<u>(20,157)</u>	<u>(20,276)</u>
	232,786	219,028
Current tax payable	22,391	16,900
Deferred tax liabilities	8,020	238
Dividends payable to equity shareholders of the Company	30,125	-
Unallocated corporate liabilities	<u>4,740</u>	<u>4,584</u>
Consolidated total liabilities	<u>298,062</u>	<u>240,750</u>

(c) **Geographic information**

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods are delivered.

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Revenue from external customers		
Hong Kong (place of domicile)	<u>29,281</u>	<u>46,090</u>
North America	323,247	391,526
United Kingdom	120,824	134,274
Europe (excluding United Kingdom)	82,157	121,427
Asia (excluding Mainland China and Hong Kong)	26,458	34,095
Mainland China	34,749	30,490
Others	<u>33,177</u>	<u>56,085</u>
	<u>620,612</u>	<u>767,897</u>
	<u>649,893</u>	<u>813,987</u>

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
(a) Finance cost		
Interest on bank loans	<u>115</u>	<u>109</u>
(b) Other items		
Depreciation	14,994	13,987
Amortisation of land lease premium	62	62
Net loss on disposal of other property, plant and equipment	3	614
Net realised and unrealised (gains)/losses on trading securities	(6,841)	12,210
Staff costs	217,979	264,963
Impairment loss on other financial assets	1,500	-
Interest income from		
- trading securities	(524)	(706)
- deposits with banks	(501)	(275)
- debtors	(860)	(636)
Rental income	(530)	(540)
Dividend income	<u>(1,166)</u>	<u>(1,225)</u>

- (c) The Group recognised a pre-tax gain of HK\$250,515,000 on disposal of properties in Shenzhen (the “Disposal”) after deducting stamp duty, value added taxes, surcharges and professional fees. The Land Appreciation Tax (“LAT”) and Corporate Income Tax in relation to the Disposal are estimated to be HK\$15,475,000 and HK\$57,725,000 respectively, where both of which were recognised as income tax expenses as set out in note 5.

5. INCOME TAX

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Current tax - Hong Kong Profits Tax	6,191	6,437
Current tax - Outside Hong Kong	57,444	1,716
Land Appreciation Tax	15,475	-
Deferred tax	8,626	1,513
	<u>87,736</u>	<u>9,666</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2015: 16.5%) to the six months ended 30 September 2016. Taxation for subsidiaries outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

LAT is levied on the appreciation of land value in respect of the Disposal.

6. DIVIDENDS

Dividends payable to equity shareholders attributable to the interim period

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Interim dividend declared and paid after the interim period of HK4 cents per share (2015: HK3 cents per share)	<u>24,100</u>	<u>18,075</u>

The interim dividend has not been recognised as a liability at the end of the reporting period.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$106,909,000 (2015: HK\$17,958,000) and the weighted average number of shares of 602,491,000 (2015: 602,491,000) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the period ended 30 September 2016 is based on the profit attributable to equity shareholders of the Company of HK\$106,909,000 and the weighted average number of shares of 603,000,000, calculated as follows:

	Weighted average number of shares (diluted)	
	2016	2015
	'000	'000
Weighted average number of shares at 30 September	602,491	602,491
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	509	-
Weighted average number of shares (diluted) at 30 September	<u>603,000</u>	<u>602,491</u>

There were no dilutive potential shares in existence during the period ended 30 September 2015, and therefore the diluted earnings per share is the same as the basic earnings per share for the prior period.

8. INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND

The movements during the period are:

	Investment properties	Other property, plant and equipment	Interests in leasehold land held for own use under operating leases	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net book value as at 1 April 2016	12,777	268,715	3,933	285,425
Additions	-	55,323	-	55,323
Disposals	-	(373)	-	(373)
Depreciation/amortisation	-	(14,994)	(62)	(15,056)
Exchange adjustments	<u>(494)</u>	<u>(3,406)</u>	<u>-</u>	<u>(3,900)</u>
Net book value as at 30 September 2016	<u>12,283</u>	<u>305,265</u>	<u>3,871</u>	<u>321,419</u>

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period:

	At 30 September 2016 HK\$'000	At 31 March 2016 HK\$'000
By date of invoice		
Within 3 months	160,669	147,392
4 to 6 months	11,211	11,821
7 to 12 months	4,820	14,192
13 to 24 months	26,422	12,971
Trade debtors and bills receivable	203,122	186,376
Deposits, prepayments and other receivables	21,523	32,769
	224,645	219,145

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. Trade debtors and bills receivable are normally due within 90 days from the date of billing. Except for the trade debtors amounting to HK\$19,310,000 (at 31 March 2016: HK\$12,782,000) which are expected to be recovered after more than one year, all other trade and other receivables are expected to be recovered or recognised as expenses within one year.

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the end of the reporting period:

	At 30 September 2016 HK\$'000	At 31 March 2016 HK\$'000
By date of invoice		
Within 1 month	23,596	42,127
Over 1 month but within 3 months	14,695	7,967
Over 3 months	2,135	1,642
Trade creditors and bills payable	40,426	51,736
Accruals and other payables	178,531	163,608
	218,957	215,344

All of the trade and other payables including receipts in advance from customers are expected to be settled or recognised as income within one year.

BUSINESS REVIEW

The Group's revenue for the six months ended 30 September 2016 amounted to HK\$650 million, representing a decline of 20% as compared with HK\$814 million in the corresponding period last year. The net profit attributable to the equity shareholders for the same period was HK\$106.9 million which was close to 6 times the net profit of HK\$17.9 million a year earlier.

The increase in net profit was primarily due to a pre-tax gain of approximately HK\$250.5 million on disposal of properties in Shenzhen (the "Disposal"). The total amount of Land Appreciation Tax and Corporate Income Tax in relation to the Disposal is estimated to be approximately HK\$73.2 million. The properties were owned by a non-wholly owned subsidiary in which the Group has 60% interest. Other details of the Disposal were disclosed in the circular dated 29 April 2016. After tax and non-controlling interests, the net gain on the Disposal attributable to the equity shareholders was approximately HK\$106.4 million. Further analysis of the operating results is set out in the following paragraphs.

The Toys Division started the current fiscal year with a strong order position. However, the division's business in the second fiscal quarter was not as good as that a year earlier and, for the whole period under review, its revenue decreased by 26% year-on-year from HK\$497 million to HK\$366 million. Nonetheless, with gain on the Disposal, the first-half operating profit of the division surged to HK\$283.1 million from HK\$46.0 million in the same period last year.

The Computer Products Division suffered a slowdown in its performance with a 10% drop in half-yearly revenue to HK\$104 million from HK\$116 million a year earlier. The revenue decline was mainly attributable to sluggish demand for thin-film computer heads. The division incurred an operating loss of HK\$3.6 million for the six months ended 30 September 2016 as compared with an operating profit of HK\$2.9 million in the year-ago period.

The revenue of the Housewares Division experienced a satisfactory growth in the first half of the fiscal year and increased by 16% year-on-year from HK\$61 million to HK\$71 million. Weaker sales in the prior-year period were mainly due to a fire accident at our Zhuhai factory that caused a suspension of production for five weeks in 2015. Because of higher revenue, the division saw its half-yearly operating loss shrink to HK\$1.3 million from HK\$5.1 million a year ago.

The business of the Timepieces Division was impacted by a difficult trading environment, particularly in the Asian markets. Some of its brands performed below expectations. Compared with the same period last year, the division's revenue dropped 23% from HK\$141 million to HK\$109 million, while its operating loss increased from HK\$2.5 million to HK\$6.7 million.

The Group recorded net realised and unrealised gains on trading securities of HK\$6.8 million for the period under review compared with losses of HK\$12.2 million a year ago. At 30 September 2016, the Group's trading securities increased to HK\$147 million from HK\$143 million as at the beginning of the fiscal year.

At the end of August 2016, the Group completed the acquisition of a property in Wong Chuk Hang at a cost of HK\$34 million, comprising the consideration of HK\$31 million and stamp duty and professional fees of HK\$3 million, for use by the Computer Products Division. The acquisition was financed partly by internal funding and partly by a mortgage loan of HK\$12.4 million, repayable over 5 years and secured by the property.

PROSPECTS AND GENERAL OUTLOOK

Due to seasonal factors, the business of the Toys Division will slow down in the second half of the fiscal year. The Computer Products Division continues to be adversely affected by the weak demand in thin-film computer heads. However, it is anticipated that the sales of smart connected devices will pick up in the coming year. On the other hand, both the Timepieces and Housewares Divisions still face difficult challenges ahead amid weak consumer spending.

Despite the favorable results in the first half of the fiscal year, the Group's overall orders at the end of October 2016 fell 30% from those at the same time in 2015. With weaker orders on hand, the management has some concerns about the results of the Group in the second half of the fiscal 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 2016, the Group's cash surplus amounted to HK\$356 million (at 31 March 2016: HK\$180 million).

At 30 September 2016, the Group's total current assets were HK\$906 million (at 31 March 2016: HK\$745 million). The trade and other receivables amounted to HK\$225 million (at 31 March 2016: HK\$219 million) and the current liabilities HK\$287 million (at 31 March 2016: HK\$237 million) which included mortgage loan balances of HK\$15 million (at 31 March 2016: HK\$5 million) secured by two (at 31 March 2016: one) of the Group's properties with a carrying value of HK\$66 million (at 31 March 2016: HK\$33 million). The mortgage loan balances of HK\$12 million and HK\$3 million are repayable by fixed monthly instalments with maturity date in August 2021 and July 2017 respectively. Certain trading securities and bank deposits totalling HK\$136 million (at 31 March 2016: HK\$128 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 a percentage of total liabilities over total assets. The gearing ratio of the Group as at 30 September 2016 was 24% (at 31 March 2016: 23%).

As at 30 September 2016, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 3.16 compared to 3.14 at 31 March 2016. 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 1.93 from 1.53 at 31 March 2016.

CONTINGENT LIABILITIES

As at 30 September 2016, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange risks primarily through sales and purchases that are denominated in a foreign currency, such as Renminbi, United States Dollars and Pound Sterling. From time to time, the Group takes out foreign exchange contracts to hedge against its foreign exchange exposure.

DIVIDEND

The Directors have declared an interim dividend of HK4 cents per share (2015: HK3 cents). The total amount of dividend payment of HK\$24 million (2015: HK\$18 million) was based on the total number of shares in issue as at 28 November 2016, being the latest practicable date prior to the announcement of the interim results. The dividend will be paid on Friday, 13 January 2017 to shareholders registered in the Register of Members on Friday, 30 December 2016.

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, 29 December 2016 to Friday, 30 December 2016, 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 Wednesday, 28 December 2016.

EMPLOYEES

As at 30 September 2016, the number of employees of the Group was 230 (2015: 233) in Hong Kong, 4,425 (2015: 6,685) in the Mainland China and 75 (2015: 71) in Europe. Total staff costs for the period under review amounted to HK\$217,979,000 (2015: HK\$264,963,000). The Group ensures that its employees' remuneration packages are competitive. Employees are rewarded based on their performance and experience and the prevailing industry practice.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2016.

AUDIT COMMITTEE

The audit committee reports to the board of directors and currently comprises three independent non-executive directors, namely Mr Ng Tze Kin David, being the chairman, Mr David Tai Chong Lie-A-Cheong and Mr Yeh Man Chun Kent. The audit committee meets with the Group's senior management and external auditors regularly to discuss audit matters. The audit committee also reviews the effectiveness of the risk management and internal control systems. The interim results of the Group have been reviewed by the audit committee of the Company.

REMUNERATION COMMITTEE

The remuneration committee comprises two independent non-executive directors, namely Mr Ng Tze Kin David, being the Chairman, and Mr Yeh Man Chun Kent and one executive director, namely Mr Shum Kam Hung. The terms of reference of the remuneration committee have been included on the Company's website.

NOMINATION COMMITTEE

The nomination committee consists of two executive directors, namely Mr Robert Dorfman, being the chairman, and Dr Cheung Tsang Kay Stan and three independent non-executive directors, namely Mr David Tai Chong Lie-A-Cheong, Mr Yeh Man Chun Kent and Mr Ng Tze Kin David. The primary roles of the nomination committee are to determine the policy for the nomination of directors, to review the structure, size and composition of the Board and to make recommendations to the Board on the appointment or re-appointment of directors.

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30 September 2016 with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules except that the independent non-executive directors are not appointed for a specific term, which deviates from the code provision A.4.1. However, the independent non-executive directors are subject to retirement from office by rotation under the requirements of the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code.

MODEL CODE

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Company’s directors, all directors confirmed that they have complied with the required standards set out in the Model Code and the Company’s code of conduct regarding directors’ securities transactions.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Stock Exchange’s website (www.hkex.com.hk) and the Company’s website (www.heraldgroup.com.hk). The interim report of the Company for the six months ended 30 September 2016 containing all the information required by the Listing Rules will be dispatched to the shareholders and published on the same websites in due course.

By Order of the Board
Robert Dorfman
Chairman

Hong Kong, 29 November 2016

As at the date of this announcement, the Board of Directors of the Company comprises the following directors:

Executive Directors:

Mr Robert Dorfman

Mr Shum Kam Hung ACIS, CPA

Dr Cheung Tsang Kay Stan PhD, Hon LLD, Hon DBA, JP

Independent Non-executive Directors:

Mr David Tai Chong Lie-A-Cheong SBS, OM, JP

Mr Yeh Man Chun Kent

Mr Ng Tze Kin David CA(AUST.), FCPA

**For identification only*