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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 2017

#### 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 2017, together with the comparative figures for the corresponding period in 2016, as follows:

#### Consolidated statement of profit or loss – Unaudited

For the six months ended 30 September 2017

		Six months ended 30 September	
		2017	2016
	Note	HK\$'000	HK\$'000
<b>Revenue</b>	3	<b>741,552</b>	649,893
Cost of sales		<b>(576,420)</b>	(494,506)
<b>Gross profit</b>		<b>165,132</b>	155,387
Other revenue		<b>3,745</b>	5,871
Other net income/(loss)		<b>12,162</b>	(2,326)
Selling expenses		<b>(17,082)</b>	(20,552)
Administrative expenses		<b>(139,223)</b>	(123,515)
Gain on disposal of non-current assets classified as held for sale	4(c)	-	250,515
<b>Profit from operations</b>		<b>24,734</b>	265,380
Finance cost	4(a)	<b>(1,167)</b>	(115)
<b>Profit before taxation</b>	4	<b>23,567</b>	265,265
Income tax	5	<b>(8,523)</b>	(87,736)
<b>Profit for the period</b>		<b>15,044</b>	177,529

**Consolidated statement of profit or loss – Unaudited (Continued)***For the six months ended 30 September 2017*

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Note</i>	<b>2017</b>	<b>2016</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>16,830</b>	106,909
Non-controlling interests		<b>(1,786)</b>	70,620
		<u><b>15,044</b></u>	<u>177,529</u>
<b>Profit for the period</b>		<u><b>15,044</b></u>	<u>177,529</u>
<b>Earnings per share</b>			
Basic (HK cents)	7	<u><b>2.79</b></u>	<u>17.74</u>
Diluted (HK cents)		<u><b>2.79</b></u>	<u>17.73</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 2017*

	<b>Six months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the period</b>	<b>15,044</b>	<b>177,529</b>
<b>Other comprehensive income for the period</b>		
<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><b>13,671</b></u>	<u><b>(9,435)</b></u>
<b>Total comprehensive income for the period</b>	<u><b>28,715</b></u>	<u><b>168,094</b></u>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>30,264</b>	<b>97,650</b>
Non-controlling interests	<u><b>(1,549)</b></u>	<u><b>70,444</b></u>
<b>Total comprehensive income for the period</b>	<u><b>28,715</b></u>	<u><b>168,094</b></u>

## Consolidated statement of financial position - Unaudited

At 30 September 2017

	<i>Note</i>	As at 30 September 2017 HK\$'000	As at 31 March 2017 HK\$'000
<b>Non-current assets</b>			
Investment properties	8	12,635	12,300
Other property, plant and equipment	8	347,900	321,302
Interests in leasehold land held for own use under operating leases	8	3,747	3,809
		<u>364,282</u>	337,411
Intangible assets		1,931	1,965
Other financial assets		12,734	12,734
Deposits for purchase of property, plant and equipment		1,842	7,007
Deferred tax assets		24,384	25,276
		<u>405,173</u>	384,393
<b>Current assets</b>			
Trading securities		126,991	133,972
Inventories		225,043	182,770
Trade and other receivables	9	273,377	173,494
Pledged bank balances		618	14,636
Cash and cash equivalents		134,346	182,068
Current tax recoverable		75	4,247
		<u>760,450</u>	691,187
<b>Current liabilities</b>			
Trade and other payables	10	262,529	204,744
Bank loans		54,173	54,404
Current tax payable		7,800	4,983
Dividends payable to equity shareholders of the Company		24,180	-
		<u>348,682</u>	264,131
<b>Net current assets</b>		<u>411,768</u>	427,056
<b>Total assets less current liabilities</b>		<u>816,941</u>	811,449

## Consolidated statement of financial position – Unaudited (Continued)

At 30 September 2017

	<i>Note</i>	As at 30 September 2017 HK\$'000	As at 31 March 2017 HK\$'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		6,049	7,032
Provision for long service payments		<u>3,041</u>	<u>3,041</u>
		<u>9,090</u>	<u>10,073</u>
<b>NET ASSETS</b>		<u>807,851</u>	<u>801,376</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		47,150	46,994
Reserves		<u>747,666</u>	<u>739,798</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<b>794,816</b>	786,792
<b>Non-controlling interests</b>		<u>13,035</u>	<u>14,584</u>
<b>TOTAL EQUITY</b>		<u>807,851</u>	<u>801,376</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 2017.

The interim financial results have been prepared in accordance with the same accounting policies adopted in the 2016/2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017/2018 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 2017 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 2017 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 2017.

## 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:

- *Amendments to HKAS 7, Statement of cash flows: Disclosure initiative*
- *Amendments to HKAS 12, Income taxes: Recognition of deferred tax assets for unrealised losses*

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 and managed funds.
- Others : The leasing of properties to group companies and third parties 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 2017 and 2016 is set out below.

	<b>Six months ended 30 September 2017</b>						
	<b>Toys</b>	<b>Computer</b>	<b>Housewares</b>	<b>Timepieces</b>	<b>Investments</b>	<b>Others</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>products</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>HK\$'000</b>					
<b>Revenue from external customer</b>	<b>502,023</b>	<b>88,209</b>	<b>59,505</b>	<b>91,815</b>	<b>-</b>	<b>-</b>	<b>741,552</b>
<b>Inter-segment revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,892</b>	<b>1,892</b>
<b>Reportable segment revenue</b>	<b>502,023</b>	<b>88,209</b>	<b>59,505</b>	<b>91,815</b>	<b>-</b>	<b>1,892</b>	<b>743,444</b>
<b>Reportable segment profit/(loss)</b>	<b>40,942</b>	<b>(1,721)</b>	<b>(1,160)</b>	<b>(21,147)</b>	<b>9,844</b>	<b>(496)</b>	<b>26,262</b>

  

	<b>As at 30 September 2017</b>						
	<b>Toys</b>	<b>Computer</b>	<b>Housewares</b>	<b>Timepieces</b>	<b>Investments</b>	<b>Others</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>products</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>HK\$'000</b>					
<b>Reportable segment assets</b>	<b>502,386</b>	<b>128,970</b>	<b>122,333</b>	<b>126,575</b>	<b>127,609</b>	<b>75,260</b>	<b>1,083,133</b>
<b>Reportable segment liabilities</b>	<b>209,536</b>	<b>17,405</b>	<b>39,098</b>	<b>35,606</b>	<b>-</b>	<b>9,979</b>	<b>311,624</b>

Six months ended 30 September 2016

	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	365,948	103,733	71,183	109,029	-	-	649,893
Inter-segment revenue	-	-	-	-	-	1,585	1,585
Reportable segment revenue	365,948	103,733	71,183	109,029	-	1,585	651,478
Reportable segment profit/(loss)	283,125	(3,572)	(1,269)	(6,711)	8,531	(186)	279,918

As at 31 March 2017

	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	362,630	130,670	114,657	123,229	148,608	77,633	957,427
Reportable segment liabilities	153,587	17,186	39,548	28,551	-	12,387	251,259



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

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
<b>Revenue</b>		
Reportable segment revenue	743,444	651,478
Elimination of segment revenue	<u>(1,892)</u>	<u>(1,585)</u>
Consolidated revenue	<u><u>741,552</u></u>	<u><u>649,893</u></u>

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
<b>Profit</b>		
Reportable segment profit	26,262	279,918
Unallocated corporate income and expenses	<u>(2,695)</u>	<u>(14,653)</u>
Consolidated profit before taxation	<u><u>23,567</u></u>	<u><u>265,265</u></u>

	At 30 September	At 31 March
	2017	2017
	HK\$'000	HK\$'000
<b>Assets</b>		
Reportable segment assets	1,083,133	957,427
Elimination of inter-segment receivables	<u>(19,015)</u>	<u>(19,000)</u>
	<b>1,064,118</b>	938,427
Current tax recoverable	75	4,247
Deferred tax assets	24,384	25,276
Unallocated corporate assets	<u>77,046</u>	<u>107,630</u>
Consolidated total assets	<u><u>1,165,623</u></u>	<u><u>1,075,580</u></u>

	At 30 September	At 31 March
	2017	2017
	HK\$'000	HK\$'000
<b>Liabilities</b>		
Reportable segment liabilities	311,624	251,259
Elimination of inter-segment payables	<u>(19,015)</u>	<u>(19,000)</u>
	<b>292,609</b>	232,259
Current tax payable	7,800	4,983
Deferred tax liabilities	6,049	7,032
Dividends payable to equity shareholders of the Company	24,180	-
Unallocated corporate liabilities	<u>27,134</u>	<u>29,930</u>
Consolidated total liabilities	<u><u>357,772</u></u>	<u><u>274,204</u></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.

	<b>Six months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue from external customers</b>		
Hong Kong (place of domicile)	<u>40,618</u>	<u>29,281</u>
North America	387,333	323,247
United Kingdom	111,752	120,824
Europe (excluding United Kingdom)	94,401	82,157
Asia (excluding Mainland China and Hong Kong)	26,993	26,458
Mainland China	35,290	34,749
Others	<u>45,165</u>	<u>33,177</u>
	<u>700,934</u>	<u>620,612</u>
	<u>741,552</u>	<u>649,893</u>

**4. PROFIT BEFORE TAXATION**

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

	<b>Six months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(a) Finance cost</b>		
Interest on bank loans and other borrowings	<u>1,167</u>	<u>115</u>
<b>(b) Other items</b>		
Depreciation	16,975	14,994
Amortisation of land lease premium	62	62
Net loss on disposal of other property, plant and equipment	39	3
Net realised and unrealised gains on trading securities	(8,314)	(6,841)
Staff costs	257,764	217,979
Impairment loss on trade debtors	5,000	-
Impairment loss on other financial assets	-	1,500
Interest income from		
- trading securities	(356)	(524)
- deposits with banks	(447)	(501)
- debtors	(10)	(860)
Rental income	(333)	(530)
Dividend income	<u>(1,174)</u>	<u>(1,166)</u>

(c) During the six months ended 30 September 2016, 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 amounted to approximately 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

	<b>Six months ended 30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Current tax - Hong Kong Profits Tax	7,221	6,191
Current tax - Outside Hong Kong	1,402	57,444
Land Appreciation Tax	-	15,475
Deferred tax	<u>(100)</u>	<u>8,626</u>
	<u><b>8,523</b></u>	<u>87,736</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2016: 16.5%) to the six months ended 30 September 2017. 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 was levied on the appreciation of land value in respect of the Disposal.

## 6. DIVIDENDS

### (a) Dividends payable to equity shareholders attributable to the interim period

	<b>Six months ended 30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Interim dividend declared and paid after the interim period of HK3 cents per share (2016: HK4 cents per share)	<u>18,135</u>	<u>24,100</u>

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

### (b) Dividends payable to equity shareholders attributable to the previous financial year, approved but not yet paid during the interim period

	<b>Six months ended 30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Final dividend in respect of the previous financial year, approved but not yet paid during the interim period, of HK4 cents per shares (2016: HK5 cents per share)	<u>24,180</u>	<u>30,125</u>

## 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\$16,830,000 (2016: HK\$106,909,000) and the weighted average number of shares of 602,862,000 (2016: 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 2017 is based on the profit attributable to equity shareholders of the Company of HK\$16,830,000 (2016: HK\$106,909,000) and the weighted average number of shares of 603,784,000 (2016: 603,000,000), calculated as follows:

	<b>Weighted average number of shares (diluted)</b>	
	<b>2017</b>	2016
	<b>'000</b>	'000
Weighted average number of shares at 30 September	<b>602,862</b>	602,491
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	<b>922</b>	509
	<hr/> <b>603,784</b>	<hr/> 603,000
Weighted average number of shares (diluted) at 30 September	<b>603,784</b>	603,000

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

The movements during the period are:

	<b>Investment properties</b>	<b>Other property, plant and equipment</b>	<b>Interests in leasehold land held for own use under operating leases</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net book value as at 1 April 2017	12,300	321,302	3,809	337,411
Additions	-	36,298	-	36,298
Disposals	-	(832)	-	(832)
Depreciation and amortisation	-	(16,975)	(62)	(17,037)
Exchange adjustments	335	8,107	-	8,442
	<hr/> <b>12,635</b>	<hr/> <b>347,900</b>	<hr/> <b>3,747</b>	<hr/> <b>364,282</b>
<b>Net book value as at 30 September 2017</b>	<b>12,635</b>	<b>347,900</b>	<b>3,747</b>	<b>364,282</b>

## 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:

	<b>At 30 September 2017 HK\$'000</b>	At 31 March 2017 HK\$'000
<b>By date of invoice</b>		
Within 3 months	<b>228,026</b>	132,601
4 to 6 months	<b>12,832</b>	10,130
7 to 12 months	<b>1,072</b>	2,064
13 to 24 months	<b>125</b>	13
Trade debtors and bills receivable	<b>242,055</b>	144,808
Deposits, prepayments and other receivables	<b>31,322</b>	28,686
	<b>273,377</b>	173,494

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. All of the 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:

	<b>At 30 September 2017 HK\$'000</b>	At 31 March 2017 HK\$'000
<b>By date of invoice</b>		
Within 1 month	<b>29,513</b>	34,303
Over 1 month but within 3 months	<b>22,136</b>	9,553
Over 3 months	<b>3,138</b>	1,328
Trade creditors and bills payable	<b>54,787</b>	45,184
Accruals and other payables	<b>207,742</b>	159,560
	<b>262,529</b>	204,744

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 2017 amounted to HK\$742 million which was up 14% from HK\$650 million in the corresponding period last year. The net profit attributable to the equity shareholders for the same period was HK\$16.8 million, representing a decline of 84% as compared with HK\$106.9 million a year earlier. The decrease in net profit was primarily attributable to the absence of a net gain on disposal of properties in Shenzhen attributable to the equity shareholders of approximately HK\$106.4 million last year (the "Disposal Gain"). Further analysis of the operating results is set out in the following paragraphs.

In the first half of the fiscal year, the Toys Division performed well with a 37% surge in half-yearly revenue to HK\$502 million from HK\$366 million a year earlier. The increase was mainly due to the strong sales of toys related to a popular movie which will be released in December 2017. Nevertheless, with the absence of the Disposal Gain, the first-half operating profit of the division dropped to HK\$40.9 million from HK\$283.1 million in the same period last year.

The performance of the Computer Products Division was not satisfactory with weak demand for smart connected devices during the six months under review. As compared with the same period last year, the half-yearly revenue of the division fell 15% from HK\$104 million to HK\$88 million. However, thanks to cost-cutting measures, the division's operating loss for the six months ended 30 September 2017 has shrunk to HK\$1.7 million from HK\$3.6 million a year earlier.

The business of the Housewares Division was negatively impacted by stiff competition among cookware manufacturers and rising material costs. For the period under review, the revenue of the division dropped 15% year-on-year from HK\$71 million to HK\$60 million while its operating loss edged down slightly to HK\$1.2 million from HK\$1.3 million in the year-ago period.

Amid a difficult retail environment, the revenue of the Timepieces Division for the six months ended 30 September 2017 fell 16% year-on-year from HK\$109 million to HK\$92 million. With escalating operating costs in Shanghai, the division terminated production at its joint venture factory there in July 2017 and incurred a loss of approximately HK\$3.7 million from termination payments for workers. Together with lower revenue, the division saw its half-yearly operating loss increase to HK\$21.1 million from HK\$6.7 million a year ago.

The Group recorded net realised and unrealised gains on trading securities of HK\$8.3 million for the period under review compared with gains of HK\$6.8 million a year ago. At 30 September 2017, the Group's trading securities decreased to HK\$127 million from HK\$134 million as at the beginning of the fiscal year.

## **PROSPECTS AND GENERAL OUTLOOK**

The Toys Division has achieved satisfactory growth in the first half of the fiscal year. However, the division's orders at the end of October 2017 were not as strong as expected. There are indications that the sales of thin-film computer heads and motor actuator assemblies will pick up in the second half of the fiscal year, whereas the business of the Housewares Division remains soft. On the other hand, the management is aware of the challenging times ahead for the Timepieces Division and is working to streamline its operations and reduce costs.

## **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 2017, the Group's cash balances aggregated to HK\$135 million (at 31 March 2017: HK\$197 million).

At the end of September 2017, the Group's current assets amounted to HK\$760 million (at 31 March 2017: HK\$691 million) which included inventories of HK\$225 million (at 31 March 2017: HK\$183 million), trade and other receivables of HK\$273 million (at 31 March 2017: HK\$173 million) and trading securities of HK\$127 million (at 31 March 2017: HK\$134 million).

At 30 September 2017, the Group's current liabilities increased to HK\$349 million from HK\$264 million as at the beginning of the fiscal year. Bank loans consisted of revolving loans of HK\$44 million (at 31 March 2017: HK\$42 million) and a term loan of HK\$10 million (at 31 March 2017: two term loans totaling HK\$12 million). The revolving loans are due for repayment within one year, while the term loan is repayable by fixed monthly instalments with maturity date in August 2021. Certain trading securities, bank balances and properties amounting to HK\$168 million (at 31 March 2017: HK\$191 million) were pledged to the banks to secure the banking facilities of 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 2017 was 31% (at 31 March 2017: 25%). As at 30 September 2017, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 2.18 as compared to 2.62 at 31 March 2017. The quick ratio, another ratio that gauges the short term liquidity and measured by trade debtors and bills receivable and cash and cash equivalents over current liabilities, decreased to 1.08 from 1.24 at 31 March 2017.

## **CONTINGENT LIABILITIES**

As at 30 September 2017, 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 HK3 cents per share (2016: HK4 cents). The total amount of dividend payment of HK\$18 million (2016: HK\$24 million) was based on the total number of shares in issue as at 28 November 2017, being the latest practicable date prior to the announcement of the interim results. The dividend will be paid on Friday, 12 January 2018 to shareholders registered in the Register of Members on Tuesday, 2 January 2018.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed from Friday, 29 December 2017 to Tuesday, 2 January 2018, 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 Thursday, 28 December 2017.

## **EMPLOYEES**

As at 30 September 2017, the number of employees of the Group was 217 (2016: 230) in Hong Kong, 5,321 (2016: 4,425) in the Mainland China and 72 (2016: 75) in Europe. Total staff costs for the period under review amounted to HK\$257,764,000 (2016: HK\$217,979,000). 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 2017.

## **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 Lie-A-Cheong Tai Chong David 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 Lie-A-Cheong Tai Chong David, 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 2017 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](http://www.hkex.com.hk)) and the Company's website ([www.heraldgroup.com.hk](http://www.heraldgroup.com.hk)). The interim report of the Company for the six months ended 30 September 2017 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 2017

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

*Mr Yeh Man Chun Kent*

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

*\*For identification only*