



Herald Holdings Limited

Stock Code : 00114



2011 / 12
INTERIM REPORT

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Cheung Tsang Kay Stan PhD,
Hon LLD, Hon DBA, JP *Chairman*
Robert Dorfman *Vice Chairman*
Thong Yeung Sum Michael FCCA, CPA
Managing Director
Tang King Hung ACA, FCCA, ACIS, CPA

NON-EXECUTIVE DIRECTOR

Chang Dong Song *Honorary Chairman*

INDEPENDENT NON-EXECUTIVE DIRECTORS

David Tai Chong Lie-A-Cheong SBS, OM, JP
Yeh Man Chun Kent
Ng Tze Kin David CA(AUST.), FCPA

SECRETARY

Shum Kam Hung ACIS, CPA

PRINCIPAL BANKERS

China Construction Bank (Asia)
Corporation Limited
The Hong Kong and Shanghai Banking
Corporation Limited
Fubon Bank (Hong Kong) Limited
Bank of America, N.A.

AUDITORS

KPMG
Certified Public Accountants

SOLICITORS

Stephenson Harwood

PRINCIPAL OFFICE

3110 31/F
Tower Two, Lippo Centre
89 Queensway
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL REGISTRAR

Butterfield Fulcrum Group
(Bermuda) Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

HONG KONG SHARE REGISTRAR

Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

COMPANY'S WEBSITE

<http://www.heraldgroup.com.hk>

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 2011, together with the comparative figures for the corresponding period in 2010, as follows:

Consolidated Income Statement – Unaudited

For the six months ended 30 September 2011

		Six months ended 30 September	
		2011	2010
		HK\$'000	HK\$'000
	<i>Note</i>		
Turnover	3	771,450	937,216
Cost of sales		(612,041)	(720,220)
Gross profit		159,409	216,996
Other revenue		10,336	8,653
Other net (loss)/income		(29,399)	5,167
Selling expenses		(21,232)	(25,792)
Administrative expenses		(118,968)	(119,343)
Profit from operations		146	85,681
Finance costs		–	–
Share of losses of jointly controlled entities		(1,286)	(274)
Share of (loss)/profit of associate		(189)	142
(Loss)/profit before taxation	4	(1,329)	85,549
Income tax	5	(5,583)	(23,063)
(Loss)/profit for the period		(6,912)	62,486

Consolidated Income Statement – Unaudited (Continued)

For the six months ended 30 September 2011

		Six months ended 30 September	
		2011	2010
		HK\$'000	HK\$'000
	<i>Note</i>		
Attributable to:			
Equity shareholders of the Company		(5,881)	61,291
Non-controlling interests		(1,031)	1,195
		(6,912)	62,486
(Loss)/profit for the period			
		18,075	18,075
Interim dividends			
		3 cents	3 cents
Interim dividends per share			
	6	(0.98 cents)	10.17 cents
(Loss)/Earnings per share			
– Basic and diluted			

Consolidated Statement of Comprehensive Income – Unaudited*For the six months ended 30 September 2011*

	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
(Loss)/profit for the period	(6,912)	62,486
Other comprehensive income for the period		
Exchange differences on translation of the financial statements of overseas subsidiaries (no tax effect)	3,567	2,841
Total comprehensive (expense)/ income for the period	(3,345)	65,327
Attributable to:		
Equity shareholders of the Company	(2,649)	63,958
Non-controlling interests	(696)	1,369
Total comprehensive (expense)/ income for the period	(3,345)	65,327

Consolidated Balance Sheet – Unaudited

At 30 September 2011

	Note	As at 30 September 2011 HK\$'000	As at 31 March 2011 HK\$'000
Non-current assets			
Fixed assets	7		
– Property, plant and equipment		195,694	194,887
– Investment properties		5,280	54,000
– Interests in leasehold land held for own use under operating leases		4,911	5,069
		205,885	253,956
Intangible assets		1,860	1,860
Interest in associate		2,822	3,082
Interest in jointly controlled entities		11,191	10,935
Other financial assets		4,680	4,680
Deferred tax assets		10,003	10,086
		236,441	284,599
Current assets			
Trading securities		176,430	156,242
Inventories		186,109	188,656
Trade and other receivables	8	269,063	183,708
Current tax recoverable		4,828	5,457
Pledged bank balances		5,583	49,593
Cash and cash equivalents		299,080	299,641
		941,093	883,297

Consolidated Balance Sheet – Unaudited (Continued)

At 30 September 2011

		As at 30 September 2011 HK\$'000	As at 31 March 2011 HK\$'000
	<i>Note</i>		
Current liabilities			
Trade and other payables	9	220,894	206,746
Current tax payable		16,045	16,063
		236,939	222,809
Net current assets		704,154	660,488
Total assets less current liabilities		940,595	945,087
Non-current liabilities			
Deferred tax liabilities		187	248
Provision for long service payment		3,007	3,007
		3,194	3,255
NET ASSETS		937,401	941,832
CAPITAL AND RESERVES			
Share capital	10	46,994	46,994
Reserves		868,109	870,758
Total equity attributable to equity shareholders of the Company		915,103	917,752
Non-controlling interests		22,298	24,080
TOTAL EQUITY		937,401	941,832

Condensed Consolidated Statement of Changes in Equity – Unaudited*For the six months ended 30 September 2011*

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Contributed surplus	Exchange reserve	PRC		Total	Non-controlling interests	Total equity
					statutory reserve	Retained profits			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 April 2011	46,994	18,737	53,687	20,774	9,654	767,906	917,752	24,080	941,832
Changes in equity for the six months ended 30 September 2011:									
Loss for the period	-	-	-	-	-	(5,881)	(5,881)	(1,031)	(6,912)
Other comprehensive income	-	-	-	3,232	-	-	3,232	335	3,567
Total comprehensive income	-	-	-	3,232	-	(5,881)	(2,649)	(696)	(3,345)
Transfer between reserves	-	-	-	-	153	(153)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(1,086)	(1,086)
Balance at 30 September 2011	46,994	18,737	53,687	24,006	9,807	761,872	915,103	22,298	937,401

Condensed Consolidated Statement of Changes in Equity – Unaudited (Continued)*For the six months ended 30 September 2011*

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Contributed surplus	Exchange reserve	PRC		Total	Non-controlling interests	Total equity
					statutory reserve	Retained profits			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 April 2010	46,994	18,737	53,687	13,888	9,060	711,509	853,875	23,078	876,953
Changes in equity for the six months ended 30 September 2010:									
Profit for the period	-	-	-	-	-	61,291	61,291	1,195	62,486
Other comprehensive income	-	-	-	2,667	-	-	2,667	174	2,841
Total comprehensive income	-	-	-	2,667	-	61,291	63,958	1,369	65,327
Transfer between reserves	-	-	-	-	546	(546)	-	-	-
Dividend paid	-	-	-	-	-	(36,149)	(36,149)	(1,300)	(37,449)
Balance at 30 September 2010	46,994	18,737	53,687	16,555	9,606	736,105	881,684	23,147	904,831

Condensed Consolidated Cash Flow Statement – Unaudited

For the six months ended 30 September 2011

	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(38,069)	(10,149)
Net cash inflow/(outflow) from investing activities	38,063	(29,317)
Net cash outflow from financing activities	(1,086)	(37,449)
Decrease in cash and cash equivalents	(1,092)	(76,915)
Cash and cash equivalents at 1 April	299,641	311,745
Effect of foreign exchange rates changes	531	1,113
Cash and cash equivalents at 30 September	299,080	235,943

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 2011.

The interim financial results have been prepared in accordance with the same accounting policies adopted in the 2010/2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011/2012 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 2011 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 2011 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 2011.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)

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

The above developments related primarily to clarification of certain disclosure requirements applicable to the Group’s financial statements. These developments have had no material impact on the contents of these interim financial results.

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.

- (a) 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 period is set out below.

	Six months ended 30 September 2011						
	Computer		Housewares	Timepieces	Investments	Others	Total
	Toys	products					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	361,561	154,764	75,697	179,428	-	-	771,450
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	361,561	154,764	75,697	179,428	-	-	771,450
Reportable segment profit/(loss)	5,414	29,014	(11,677)	4,654	(22,940)	2,041	6,506
	As at 30 September 2011						
	Computer		Housewares	Timepieces	Investments	Others	Total
	Toys	products					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	379,146	197,137	115,060	181,872	182,013	17,126	1,072,354
Reportable segment liabilities	115,611	30,524	44,379	48,025	-	239	238,778

Six months ended 30 September 2010

	Computer						Total HK\$'000
	Toys HK\$'000	products HK\$'000	Housewares HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	
Revenue from external customers	491,718	161,616	82,666	201,216	–	–	937,216
Inter-segment revenue	–	–	–	–	–	–	–
Reportable segment revenue	491,718	161,616	82,666	201,216	–	–	937,216
Reportable segment profit	49,571	27,588	1,202	1,161	3,976	1,368	84,866

As at 31 March 2011

	Computer						Total HK\$'000
	Toys HK\$'000	products HK\$'000	Housewares HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	
Reportable segment assets	335,266	193,313	117,131	197,479	205,833	67,719	1,116,741
Reportable segment liabilities	117,053	35,178	40,502	31,037	–	394	224,164

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

	Six months ended	
	30 September	
	2011	2010
	HK\$'000	HK\$'000
Profit		
Reportable segment profit	6,506	84,866
Finance costs	–	–
Share of losses of jointly controlled entities	(1,286)	(274)
Share of (loss)/profit of associate	(189)	142
Unallocated corporate income and expenses	(6,360)	815
	(1,329)	85,549
Assets		
	At	At
	30 September	31 March
	2011	2011
	HK\$'000	HK\$'000
Reportable segment assets	1,072,354	1,116,741
Elimination of inter-segment receivables	(19,112)	(19,127)
	1,053,242	1,097,614
Interest in jointly controlled entities	11,191	10,935
Interest in associate	2,822	3,082
Deferred tax assets	10,003	10,086
Current tax recoverable	4,828	5,457
Unallocated corporate assets	95,448	40,722
	1,177,534	1,167,896

	At 30 September 2011 HK\$'000	At 31 March 2011 HK\$'000
Liabilities		
Reportable segment liabilities	238,778	224,164
Elimination of inter-segment payables	(19,112)	(19,127)
	219,666	205,037
Current tax payable	16,045	16,063
Deferred tax liabilities	187	248
Unallocated corporate liabilities	4,235	4,716
Consolidated total liabilities	240,133	226,064

(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	
	2011 HK\$'000	2010 HK\$'000
Revenue from external customers		
Hong Kong (place of domicile)	52,786	92,119
North America	377,723	441,137
United Kingdom	166,200	216,380
Europe (excluding United Kingdom)	96,973	118,405
Asia (excluding Mainland China and Hong Kong)	44,868	36,204
Mainland China	5,265	3,291
Others	27,635	29,680
	718,664	845,097
	771,450	937,216

4. (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
Interest on borrowings	–	–
Depreciation	14,018	14,983
Amortisation of land lease premium	171	165
Net (gain)/loss on disposal of fixed assets		
– investment properties	734	–
– land and buildings	(1,357)	–
– others	23	(369)
Net realised and unrealised losses/(gains) on trading securities	25,935	(1,366)
Staff costs	226,919	216,420
Interest income		
– trading securities	(1,356)	(1,282)
– deposits with banks	(668)	(433)
– other loans	(88)	(92)
Rental income	(1,929)	(1,732)
Dividend income	(1,637)	(1,263)
Share of jointly controlled entities' taxation	83	100

5. INCOME TAX

	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
Hong Kong Profits Tax	6,867	14,708
Taxation outside Hong Kong	(1,306)	5,867
Deferred tax	22	2,488
	5,583	23,063

The provision for Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the six months ended 30 September 2011. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

6. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of HK\$5,881,000 (2010: profit of HK\$61,291,000) and the weighted average number of shares of 602,491,000 (2010: 602,491,000) in issue during the period.

There were no dilutive potential shares in existence during the periods ended 30 September 2011 and 2010, therefore diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share for both the current and prior periods.

7. FIXED ASSETS

The movements of fixed assets of the Group during the period are:

	Property, plant and equipment	Investment properties	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 2011	194,887	54,000	5,069	253,956
Additions	14,439	–	–	14,439
Disposals	(1,546)	(48,720)	–	(50,266)
Depreciation/amortisation	(14,018)	–	(171)	(14,189)
Exchange adjustments	1,932	–	13	1,945
Net book value as at 30 September 2011	195,694	5,280	4,911	205,885

During the six months ended 30 September 2011, the Group disposed of certain properties for a total consideration of HK\$51,483,500 and recognised a net gain of HK\$622,809 from such disposal.

8. 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 balance sheet date:

	At 30 September 2011 HK\$'000	At 31 March 2011 HK\$'000
Current	134,084	115,361
Less than 1 month past due	58,267	17,821
1 to 3 months past due	25,004	11,813
More than 3 months but less than 12 months past due	5,991	2,804
Trade debtors and bills receivable	223,346	147,799
Deposits, prepayments and other receivables	44,636	35,752
Derivative financial instruments	1,081	157
	269,063	183,708

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the balance sheet date:

	At 30 September 2011 HK\$'000	At 31 March 2011 HK\$'000
By date of invoice		
Within 1 month	40,300	46,375
Over 1 month but within 3 months	19,690	4,828
Over 3 months	2,320	1,517
Trade creditors and bills payable	62,310	52,720
Accruals and other payables	158,584	154,026
	220,894	206,746

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.

10. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Shares of US\$0.01 each	1,000,000	78,000
Issued and fully paid:		
At 1 April 2011 and 30 September 2011	602,491	46,994

11. COMMITMENTS

At 30 September 2011, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	At 30 September 2011		At 31 March 2011	
	Land and buildings HK\$'000	Others HK\$'000	Land and buildings HK\$'000	Others HK\$'000
Within 1 year	7,511	2,109	9,073	447
After 1 year but within 5 years	9,102	1,935	12,330	4,568
	16,613	4,044	21,403	5,015

12. MATERIAL RELATED PARTY TRANSACTIONS**Key management personnel remuneration**

Remuneration for key management personnel, including amounts paid to the Company's directors, is as follows:

	Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Short-term employee benefits	14,242	13,683
Post-employment benefits	779	763
	15,021	14,446

13. POST BALANCE SHEET EVENT

An agreement has been reached by all the shareholders of Herald Metal Products Company Limited ("SHMP") of which the Group holds an interest of 56.67%, to wind up SHMP. The management estimated that the costs in connection with the liquidation would be about HK\$6,100,000.

BUSINESS REVIEW

The Group's turnover for the 6 months ended 30 September 2011 amounted to HK\$771 million, representing a decrease of HK\$166 million or 18% compared to the same period last year. Coupled with a significant decrease in the profit margin of the Toys and Housewares Divisions and heavy losses on investment securities, the Group reported a loss attributable to the shareholders of HK\$5.9 million against a profit of HK\$61.3 million in the corresponding period. Further analysis of the operating results is set out in the following paragraphs.

During the period, the Toys Division experienced the most difficult trading environment in recent years. Both sales volume and profit margin dropped significantly amid stiff competition among the toy manufacturers and rising costs of production. The turnover was HK\$362 million, representing a decrease of 26% from HK\$492 million in the previous year, with an operating profit of HK\$5.4 million compared to HK\$49.6 million a year ago.

The Computer Products Division continued to record encouraging results. While the turnover for the period dropped slightly from HK\$162 million in the previous corresponding period to HK\$155 million, the profit has increased to HK\$29 million from HK\$27.6 million last year.

As with the Toys Division, the business of the Housewares Division has been tough during the first half of the financial year. The turnover was HK\$76 million, down 8% from HK\$83 million in 2010. An operating loss of HK\$11.7 million was incurred compared to a profit of HK\$1.2 million a year ago mainly because the cost increase could not be fully recovered from the customers.

Due to the escalating operating cost in Shanghai, it was decided by all the shareholders of Herald Metal Products Company Limited to terminate production before 31 December 2011. The Housewares Division will transfer the production to its existing facility in Zhuhai.

The performance of the Timepiece Division for the 6 months ended 30 September 2011 has remained stable. Although the turnover decreased to HK\$179 million from HK\$201 million in the same period of the previous year, the profit was HK\$4.7 million, up from HK\$1.2 million in the previous year.

Due to the deterioration of the global investment market as of 30 September 2011, the Group recorded net realized and unrealized losses on trading securities of HK\$25.9 million for the period under review compared to gains of HK\$1.4 million in the same period last year. At 30 September 2011, the Group's trading securities increased to HK\$176 million from HK\$156 million as at the beginning of the financial year.

FINANCIAL POSITION

The Group continues to exercise prudence in managing its financial resources. As in the past, the Group maintains a good liquidity position without any long term debt funding. At 30 September 2011, the Group's net cash surplus was HK\$305 million (at 31 March 2011: HK\$349 million). During the period under review, the Group spent HK\$14 million on capital expenditure.

The Group's total current assets as at 30 September 2011 was HK\$941 million (at 31 March 2011: HK\$883 million). The trade and other receivables amounted to HK\$269 million (at 31 March 2011: HK\$184 million) and current liabilities HK\$237 million (at 31 March 2011: HK\$223 million). The trading securities increased to HK\$176 million from HK\$156 million as at the beginning of the financial year. Trading securities and bank deposits totalling HK\$164 million (at 31 March 2011: HK\$187 million) are pledged to the banks to secure banking facilities granted to the Group.

At 30 September 2011, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 3.97 compared to 3.12 at 30 September 2010. 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 2.2 from 1.64 at 30 September 2010.

PROSPECTS AND GENERAL OUTLOOK

The management is concerned that as the global economy remains uncertain and volatile, the market will continue to be depressed and the trading environment unfavourable. This will affect both the business volume and the profit margin of the Group, especially the Toys and Housewares Divisions.

Nevertheless, the Computer Products Division which mainly manufactures industrial components for computer manufacturers should continue to record satisfactory results in the year ending 31 March 2012. The performance of the Timepiece Division is expected to remain stable with efforts being made to expand the product range and customer base.

The management hopes that as in the first half, the Group's core business activities will be profitable in the second half of the financial year.

CONTINGENT LIABILITIES

As at 30 September 2011, 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 United States Dollars and Pound Sterling. From time to time, the Group takes out foreign exchange contracts to hedge against its foreign exchange exposure.

DIVIDENDS

The Directors have declared an interim dividend of HK3 cents per share (2010: HK3 cents). The total amount of dividend payment of HK\$18,075,000 (2010: HK\$18,075,000) was based on the total number of shares in issue as at 28 November 2011, being the latest practicable date prior to the announcement of the interim results. Dividend will be payable on Friday, 6 January 2012 to shareholders registered in the Register of Members on Friday, 23 December 2011.

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, 22 December 2011 to Friday, 23 December 2011, 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 Wednesday, 21 December 2011.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 18 September 2003. No share options have been granted since its adoption.

Apart from the foregoing, at no time during the six months ended 30 September 2011 was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2011, the interests and short positions of directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules ("Model Code") were as follows:

Interests in issued shares

(Shares of US\$0.01 each of the Company)

Directors	Number of shares			Total	Percentage of total issued shares
	Personal interests	Interests of spouse	Other interests		
D S Chang	–	21,654,879	85,538,356 (Note (i))	107,193,235	17.79%
S T K Cheung	1,897,500	830,000	120,993,664 (Note (i) & (ii))	123,721,164	20.53%
R Dorfman	46,470,000	–	3,504,000 (Note (iii))	49,974,000	8.29%
M Y S Thong	12,383,308	–	–	12,383,308	2.06%

Notes:

- (i) Dr S T K Cheung and Mr D S Chang are the beneficiaries of a family trust which owned 85,538,356 shares.
- (ii) Dr S T K Cheung is the beneficiary of a separate family trust which owned 35,455,308 shares.
- (iii) Mr R Dorfman is interested in these shares together with two other family members.

All the interests stated above represent long positions.

Saved as disclosed above, none of the directors or chief executives of the Company, any of their spouses or children under eighteen years of age had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Other than the interests disclosed in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" in respect of directors, the following shareholders were interested in 5% or more of the issued share capital of the Company as at 30 September 2011 according to the register of interests required to be kept by the Company under section 336 of the SFO.

Interests in issued shares

(Shares of US\$0.01 each of the Company)

	Note	Number of shares			Total	Percentage of total issued shares
		Personal interests	Interests of spouse	Other interests		
Substantial Shareholders						
Chan Him Wee	(i)	21,654,879	85,538,356	-	107,193,235	17.79%
Ng Yiu Chi Eleanor	(ii)	830,000	122,891,164	-	123,721,164	20.53%
Goldfinch Cook Investments Ltd ("GCIL")	(iii)	85,538,356	-	-	85,538,356	14.20%
HSBC International Trustee Ltd ("HIT")	(iii)	-	-	120,993,664	120,993,664	20.08%
Other persons						
Sheri Tillman Dorfman	(iv)	-	49,974,000	-	49,974,000	8.29%
Gershon Dorfman		37,740,799	-	-	37,740,799	6.26%
Lydia Dorfman	(v)	-	37,740,799	-	37,740,799	6.26%
Moral Excel Holdings Ltd ("MEH")	(iii)	35,455,308	-	-	35,455,308	5.88%

Notes:

- (i) The entire interests in shares of 107,193,235 are duplicated by those disclosed under Mr D S Chang, the spouse of Ms Chan Him Wee, in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures".
- (ii) The entire interests in shares of 123,721,164 are duplicated by those disclosed under Dr S T K Cheung, the spouse of Ms Ng Yiu Chi Eleanor, in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures".

- (iii) GCIL is a company owned by a family trust which was interested in 85,538,356 shares held by GCIL, as noted in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures". MEH is another company owned by a separate family trust which was interested in 35,455,308 shares held by MEH. HIT, the trustee of these trusts, is deemed to be interested in the 120,993,664 shares owned by these trusts.
- (iv) These interests in shares are duplicated by those disclosed under Mr R Dorfman, the spouse of Mrs Sheri Tillman Dorfman, in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures".
- (v) These interests in shares are duplicated by those beneficially owned by Mr Gershon Dorfman.

All the interests stated above represent long positions.

Save as disclosed above, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

EMPLOYEES

As at 30 September 2011, the number of employees of the Group was 250 (2010: 244) in Hong Kong, 7,524 (2010: 7,710) in the Mainland China and 106 (2010: 111) in Europe. Total staff costs for the period under review amounted to HK\$226,919,000 (2010: HK\$216,420,000). 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 2011.

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 internal control systems. The interim report of the Group has 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 Thong Yeung Sum Michael. The terms of reference of the remuneration committee have been included on the Company's website.

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30 September 2011 with the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules except that the non-executive director and independent non-executive directors are not appointed for a specific term, which deviates from the code provision A.4.1. However, the non-executive director and 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. 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, except for the following deviation.

On 20 September 2011, the Company became aware that Mr. Robert Dorfman, a director of the Company, had failed to report to the Securities and Futures Commission ("SFC") in accordance with the Listing Rules when he became interested in 3,504,000 shares of the Company on 5 May 2010. These shares were previously owned by his mother, Mrs Mirriam Bloch. The non-compliance was rectified by filing the relevant disclosure notice immediately upon being discovered and the SFC concluded to take no action in respect thereof.

By Order of the Board
Cheung Tsang Kay Stan
Chairman

Hong Kong, 29 November 2011