



# Herald Holdings Limited

Stock Code : 00114

INTERIM REPORT

**2013/14**

## **CORPORATE INFORMATION**

### **EXECUTIVE DIRECTORS**

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

### **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**

MUFG Fund Services  
(Bermuda) Limited  
26 Burnaby Street  
Hamilton HM11  
Bermuda

### **HONG KONG SHARE REGISTRAR**

Tricor Tengis Limited  
26/F Tesbury Centre  
28 Queen's Road East  
Wanchai, 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 2013, together with the comparative figures for the corresponding period in 2012, as follows:

### Consolidated Income Statement – Unaudited

For the six months ended 30 September 2013

	Note	Six months ended 30 September	
		2013 HK\$'000	2012 HK\$'000
<b>Turnover</b>	3	<b>707,558</b>	800,111
Cost of sales		<b>(545,965)</b>	(591,822)
<b>Gross profit</b>		<b>161,593</b>	208,289
Other revenue		<b>8,376</b>	8,864
Other net income/(loss)		<b>4,701</b>	(9,366)
Selling expenses		<b>(23,602)</b>	(19,322)
Administrative expenses		<b>(122,376)</b>	(136,108)
<b>Profit from operations</b>		<b>28,692</b>	52,357
Finance costs		<b>(233)</b>	(83)
Share of profit less loss of a joint venture		<b>(225)</b>	(1,203)
Share of profit less loss of an associate		<b>(144)</b>	307
<b>Profit before taxation</b>	4	<b>28,090</b>	51,378
Income tax	5	<b>(5,373)</b>	(16,607)
<b>Profit for the period</b>		<b>22,717</b>	34,771

**Consolidated Income Statement – Unaudited (Continued)***For the six months ended 30 September 2013*

		<b>Six months ended 30 September</b>	
		<b>2013</b>	2012
		<b>HK\$'000</b>	HK\$'000
	<i>Note</i>		
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>22,499</b>	33,038
Non-controlling interests		<b>218</b>	1,733
		<b>22,717</b>	34,771
<b>Profit for the period</b>			
		<b>18,075</b>	18,075
<b>Interim dividends</b>			
		<b>3 cents</b>	3 cents
<b>Interim dividends per share</b>			
		<b>3.73 cents</b>	5.48 cents
<b>Earnings per share</b>			
– Basic and diluted	6		

**Consolidated Statement of Comprehensive Income – Unaudited**

*For the six months ended 30 September 2013*

	<b>Six months ended 30 September</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
<b>Profit for the period</b>	<b>22,717</b>	34,771
<b>Other comprehensive income for the period</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of the financial statements of overseas subsidiaries (no tax effect)	<b>2,694</b>	(27)
<b>Total comprehensive income for the period</b>	<b>25,411</b>	34,744
<b>Attributable to:</b>		
Equity shareholders of the company	<b>25,085</b>	33,019
Non-controlling interests	<b>326</b>	1,725
<b>Total comprehensive income for the period</b>	<b>25,411</b>	34,744

**Consolidated Balance Sheet – Unaudited***At 30 September 2013*

	<i>Note</i>	<b>As at 30 September 2013 HK\$'000</b>	As at 31 March 2013 HK\$'000
<b>Non-current assets</b>			
Fixed assets	7		
– Property, plant and equipment		<b>259,077</b>	255,534
– Investment properties		<b>6,680</b>	6,680
– Interests in leasehold land held for own use under operating leases		<b>4,242</b>	4,399
		<b>269,999</b>	266,613
Intangible assets		<b>1,860</b>	1,860
Interest in an associate		<b>1,945</b>	1,968
Interest in a joint venture		–	225
Other financial assets		<b>14,820</b>	14,820
Deferred tax assets		<b>10,876</b>	10,552
		<b>299,500</b>	296,038
<b>Current assets</b>			
Trading securities		<b>176,921</b>	208,953
Inventories		<b>207,839</b>	209,185
Trade and other receivables	8	<b>238,751</b>	177,212
Current tax recoverable		<b>2,801</b>	2,889
Pledged bank balances		<b>10,576</b>	12,882
Cash and cash equivalents		<b>211,664</b>	184,031
		<b>848,552</b>	795,152

**Consolidated Balance Sheet – Unaudited (Continued)**

At 30 September 2013

	Note	<b>As at 30 September 2013 HK\$'000</b>	As at 31 March 2013 HK\$'000
<b>Current liabilities</b>			
Trade and other payables	9	216,340	184,788
Bank Loan		13,864	15,565
Current tax payable		9,344	6,564
		<b>239,548</b>	206,917
<b>Net current assets</b>		<b>609,004</b>	588,235
<b>Total assets less current liabilities</b>		<b>908,504</b>	884,273
<b>Non-current liabilities</b>			
Deferred tax liabilities		233	245
Provision for long service payments		3,653	3,653
		<b>3,886</b>	3,898
<b>NET ASSETS</b>		<b>904,618</b>	880,375
<b>CAPITAL AND RESERVES</b>			
Share capital	10	46,994	46,994
Reserves		838,736	813,651
<b>Total equity attributable to equity shareholders of the Company</b>		<b>885,730</b>	860,645
<b>Non-controlling interests</b>		<b>18,888</b>	19,730
<b>TOTAL EQUITY</b>		<b>904,618</b>	880,375

**Condensed Consolidated Statement of Changes in Equity – Unaudited***For the six months ended 30 September 2013*

	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 2013	46,994	18,737	53,891	27,159	9,074	704,790	860,645	19,730	880,375
<b>Changes in equity for the six months ended 30 September 2013:</b>									
Profit for the period	-	-	-	-	-	22,499	22,499	218	22,717
Other comprehensive income	-	-	-	2,586	-	-	2,586	108	2,694
Total comprehensive income	-	-	-	2,586	-	22,499	25,085	326	25,411
Transfer between reserves	-	-	-	-	273	(273)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(1,168)	(1,168)
<b>Balance at 30 September 2013</b>	<b>46,994</b>	<b>18,737</b>	<b>53,891</b>	<b>29,745</b>	<b>9,347</b>	<b>727,016</b>	<b>885,730</b>	<b>18,888</b>	<b>904,618</b>

**Condensed Consolidated Statement of Changes in Equity – Unaudited (Continued)***For the six months ended 30 September 2013*

	Attributable to equity shareholders of the Company								Non-controlling interests equity
	Share capital HK\$'000	Share premium HK\$'000	Contributed Surplus HK\$'000	Exchange reserve HK\$'000	PRC		Total HK\$'000	HK\$'000	
					statutory reserve HK\$'000	Retained profits HK\$'000			
Balance at 1 April 2012	46,994	18,737	53,687	25,308	9,873	735,430	890,029	18,367	908,396
<b>Changes in equity for the six months ended 30 September 2012:</b>									
Profit for the period	-	-	-	-	-	33,038	33,038	1,733	34,771
Other comprehensive income	-	-	-	(19)	-	-	(19)	(8)	(27)
Total comprehensive income	-	-	-	(19)	-	33,038	33,019	1,725	34,744
Dividend paid	-	-	-	-	-	(36,149)	(36,149)	(414)	(36,563)
Balance at 30 September 2012	46,994	18,737	53,687	25,289	9,873	732,319	886,899	19,678	906,577

**Condensed Consolidated Cash Flow Statement – Unaudited***For the six months ended 30 September 2013*

	<b>Six months ended 30 September</b>	
	<b>2013 HK\$'000</b>	2012 HK\$'000
Cash inflow from operations	<b>9,396</b>	36,771
Tax paid	<b>(2,848)</b>	(2,397)
Net cash inflow from operating activities	<b>6,548</b>	34,374
Net cash inflow/(outflow) from investing activities	<b>21,989</b>	(55,582)
Net cash outflow from financing activities	<b>(3,102)</b>	(19,399)
Increase/(decrease) in cash and cash equivalents	<b>25,435</b>	(40,607)
Cash and cash equivalents at 1 April	<b>184,031</b>	242,441
Effect of foreign exchange rates changes	<b>2,198</b>	123
Cash and cash equivalents at 30 September	<b>211,664</b>	201,957

**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 28 November 2013.

The interim financial results have been prepared in accordance with the same accounting policies adopted in the 2012/2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013/2014 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 2013 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 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 June 2013.

**2. CHANGES IN ACCOUNTING POLICIES**

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards ("HKFRSs") and amendments to HKFRSs 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:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 11, *Joint arrangements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Annual Improvements to HKFRSs 2009-2011 Cycle
- Amendments to HKFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

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

**Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income**

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

**HKFRS 10, Consolidated financial statements**

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

**HKFRS 11, Joint arrangements**

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

**HKFRS 12, Disclosure of interests in other entities**

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

**HKFRS 13, Fair value measurement**

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

**Annual Improvements to HKFRSs 2009-2011 Cycle**

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group because the Group does not have any reportable segments with total assets or total liabilities materially different from the amounts reported in the last annual financial statements.

**Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities**

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

### 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) 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 2013 and 2012 is set out below.

	Six months ended 30 September 2013						
	Computer						Total
	Toys	products	Housewares	Timepieces	Investments	Others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	323,450	147,470	60,286	176,352	-	-	707,558
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	323,450	147,470	60,286	176,352	-	-	707,558
Reportable segment profit/(loss)	8,863	15,895	(705)	(658)	1,873	456	25,724

Interim Report 2013/14

As at 30 September 2013							
Computer							
	Toys	products	Housewares	Timepieces	Investments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	350,818	193,603	117,501	181,903	187,497	52,495	1,083,817
Reportable segment liabilities	112,255	39,583	38,207	44,469	–	13,953	248,467
Six months ended 30 September 2012							
Computer							
	Toys	products	Housewares	Timepieces	Investments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	373,833	162,441	75,431	188,406	–	–	800,111
Inter-segment revenue	–	–	–	–	–	–	–
Reportable segment revenue	373,833	162,441	75,431	188,406	–	–	800,111
Reportable segment profit/(loss)	36,278	26,326	(1,435)	220	3,742	315	65,446
As at 31 March 2013							
Computer							
	Toys	products	Housewares	Timepieces	Investments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	305,552	204,377	110,423	172,162	221,834	53,905	1,068,253
Reportable segment liabilities	93,110	49,017	36,541	30,816	–	15,638	225,122

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

	<b>Six months ended 30 September</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
<b>Profit</b>		
Reportable segment profit	<b>25,724</b>	65,446
Finance costs	<b>(233)</b>	(83)
Share of profit less loss of a joint venture	<b>(225)</b>	(1,203)
Share of profit less loss of an associate	<b>(144)</b>	307
Unallocated corporate income and expenses	<b>2,968</b>	(13,089)
	<b>28,090</b>	51,378
<b>Assets</b>		
	<b>At</b>	At
	<b>30 September</b>	31 March
	<b>2013</b>	2013
	<b>HK\$'000</b>	HK\$'000
Reportable segment assets	<b>1,083,817</b>	1,068,253
Elimination of inter-segment receivables	<b>(19,716)</b>	(25,869)
	<b>1,064,101</b>	1,042,384
Interest in a joint venture	–	225
Interest in an associate	<b>1,945</b>	1,968
Deferred tax assets	<b>10,876</b>	10,552
Current tax recoverable	<b>2,801</b>	2,889
Unallocated corporate assets	<b>68,329</b>	33,172
	<b>1,148,052</b>	1,091,190

	<b>At 30 September 2013 HK\$'000</b>	At 31 March 2013 HK\$'000
<b>Liabilities</b>		
Reportable segment liabilities	<b>248,467</b>	225,122
Elimination of inter-segment payables	<b>(19,716)</b>	(25,869)
	<b>228,751</b>	199,253
Current tax payable	<b>9,344</b>	6,564
Deferred tax liabilities	<b>233</b>	245
Unallocated corporate liabilities	<b>5,106</b>	4,753
	<b>243,434</b>	210,815
Consolidated total liabilities	<b>243,434</b>	210,815

**(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>2013 HK\$'000</b>	2012 HK\$'000
<b>Revenue from external customers</b>		
Hong Kong (place of domicile)	<b>32,745</b>	33,154
North America	<b>341,378</b>	390,037
United Kingdom	<b>125,963</b>	139,516
Europe (excluding United Kingdom)	<b>84,837</b>	123,541
Asia (excluding Mainland China and Hong Kong)	<b>68,818</b>	61,475
Mainland China	<b>10,563</b>	3,167
Others	<b>43,254</b>	49,221
	<b>674,813</b>	766,957
	<b>707,558</b>	800,111

**4. PROFIT BEFORE TAXATION**

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

	<b>Six months ended 30 September</b>	
	<b>2013 HK\$'000</b>	2012 HK\$'000
<b>(a) Finance costs</b>		
Interest on bank loan wholly repayable within 5 years	<b>233</b>	83
<b>(b) Other items</b>		
Depreciation	<b>14,117</b>	14,545
Amortisation of land lease premium	<b>157</b>	173
Net gain on disposal of fixed assets	<b>(21)</b>	–
Net realised and unrealized losses/(gains) on trading securities	<b>628</b>	(722)
Staff costs	<b>231,830</b>	232,289
Interest income		
– trading securities	<b>(555)</b>	(926)
– deposits with banks	<b>(265)</b>	(640)
– other loans	<b>(29)</b>	(82)
Rental income	<b>(413)</b>	(513)
Dividend income	<b>(1,942)</b>	(2,075)
Impairment losses on amount due from and loan to a joint venture	<b>–</b>	10,157

**5. INCOME TAX**

	<b>Six months ended 30 September</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Current tax – Hong Kong Profits Tax	<b>2,643</b>	11,098
Current tax – Outside Hong Kong	<b>3,070</b>	6,895
Deferred tax	<b>(340)</b>	(1,386)
	<b>5,373</b>	16,607

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2012: 16.5%) to the six months ended 30 September 2013. 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.

**6. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$22,499,000 (2012: HK\$33,038,000) and the weighted average number of shares of 602,491,000 (2012: 602,491,000) in issue during the period.

There were no dilutive potential shares in existence during the periods ended 30 September 2013 and 2012, therefore diluted earnings per share is the same as the basic 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:

	<b>Property, plant and equipment</b>	<b>Investment properties</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 2013	255,534	6,680	4,399	266,613
Additions	15,192	–	–	15,192
Disposals	(659)	–	–	(659)
Depreciation/amortisation	(14,117)	–	(157)	(14,274)
Exchange adjustments	3,127	–	–	3,127
<b>Net book value as at 30 September 2013</b>	<b>259,077</b>	<b>6,680</b>	<b>4,242</b>	<b>269,999</b>

**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:

	<b>At 30 September 2013 HK\$'000</b>	<b>At 31 March 2013 HK\$'000</b>
<b>By date of invoice</b>		
Within 3 months	<b>181,403</b>	126,707
Over 3 months but within 6 months	<b>8,461</b>	13,643
Over 6 months	<b>6,166</b>	517
Trade debtors and bills receivable	<b>196,030</b>	140,867
Deposits, prepayments and other receivables	<b>42,721</b>	36,345
	<b>238,751</b>	177,212

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.

**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 2013 HK\$'000	At 31 March 2013 HK\$'000
<b>By date of invoice</b>		
Within 1 month	37,949	33,053
Over 1 month but within 3 months	22,752	5,305
Over 3 months	1,219	947
	<hr/>	<hr/>
Trade creditors and bills payable	61,920	39,305
Accruals and other payables	154,420	145,483
	<hr/>	<hr/>
	<b>216,340</b>	<b>184,788</b>

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
<b>Authorised:</b>		
Shares of US\$0.01 each	1,000,000	78,000
	<hr/>	<hr/>
<b>Issued and fully paid:</b>		
At 1 April 2013 and 30 September 2013	602,491	46,994
	<hr/>	<hr/>

**11. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS****(a) Financial assets measured at fair value**

- (i) Fair value hierarchy

	<b>Fair value measurements as at 30 September 2013 using</b>	
	<b>Quoted prices in active market for identical assets (Level 1) HK\$'000</b>	<b>Significant other observable inputs (Level 2) HK\$'000</b>
<b>Recurring fair value measurement</b>		
Financial assets:		
Trading securities:		
– Listed	51,073	–
– Unlisted	–	125,848

	<b>Fair value measurements as at 31 March 2013 using</b>	
	<b>Quoted prices in active market for identical assets (Level 1) HK\$'000</b>	<b>Significant other observable inputs (Level 2) HK\$'000</b>
<b>Recurring fair value measurement</b>		
Financial assets:		
Trading securities:		
– Listed	87,934	–
– Unlisted	–	121,019

During the six months ended 30 September 2013, there were no transfers between Level 1 and Level 2. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the balance sheet date in which they occur.

- (ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of trading securities in Level 2 is determined using quoted prices from financial institutions.

**(b) Fair values of financial assets and liabilities carried at other than fair value**

All financial instruments are carried at amounts not materially different from their fair values as at 30 September 2013 and 31 March 2013 except for amounts due from/to subsidiaries which are unsecured, interest-free and have no fixed terms of repayment. Given these terms, it is not meaningful to disclose their fair values.

**12. COMMITMENTS**

At 30 September 2013, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	At 30 September 2013		At 31 March 2013	
	Land and buildings HK\$'000	Others HK\$'000	Land and buildings HK\$'000	Others HK\$'000
Within 1 year	7,392	1,511	7,241	765
After 1 year but within 5 years	5,605	1,883	5,316	3,133
	<b>12,997</b>	<b>3,394</b>	12,557	3,898

**13. 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	
	2013 HK\$'000	2012 HK\$'000
Short-term employee benefits	13,128	13,931
Post-employment benefits	803	815
	<b>13,931</b>	14,746

**BUSINESS REVIEW**

With the prospect of global economic recovery remaining uncertain, the Group continued to suffer a decline both in sales volume and profit margins in the 6 months ended 30 September 2013. The Group's turnover for the period amounted to HK\$708 million, representing a decrease of 12% from last year. The profit attributable to the shareholders was HK\$22.5 million, down 32% from HK\$33 million in the corresponding period. Further analysis of the operating results are set out in the following paragraphs.

During the period, the business environment remained tough for the Toys Division, especially in the United States. The division which operated at a tight profit margin amid severe competition among toy manufacturers, recorded a turnover of HK\$323 million, down 13% from last year and an operating profit of HK\$8.9 million compared with HK\$36.3 million in the previous year.

The Computer Products Division suffered a setback in its performance with a lower profit margin as a result of price pressures from its customers. The division reported a turnover of HK\$147 million against HK\$162 million in last year, and the profit decreased to HK\$15.9 million from HK\$26.3 million a year ago.

The Housewares Division which also experienced similar difficulties as the Toys Division saw its turnover drop by 20% to HK\$60 million but the operating loss was reduced to HK\$0.7 million.

The Timepieces Division had similar operating results as last year. The turnover was down 6% to HK\$176 million, and a loss of HK\$0.7 million was incurred compared with a profit of HK\$0.2 million in the previous year.

During the period, the Group recorded net realized and unrealized losses of trading securities of HK\$0.6 million compared with gains of HK\$0.7 million a year ago. At 30 September 2013, the Group's trading securities decreased to HK\$177 million from HK\$209 million as at the beginning of the financial year.

## **LIQUIDITY, FINANCIAL RESOURCES AND FUNDING**

The Group continued to exercise prudence in managing its financial resources. As in the past, the Group maintains a good liquidity position. At 30 September 2013, the Group's net cash surplus was HK\$222 million (at 31 March 2013: HK\$197 million).

The Group's total current assets at 30 September 2013 were HK\$849 million (at 31 March 2013: HK\$795 million). The trade and other receivables amounted to HK\$239 million (at 31 March 2013: HK\$177 million) and the current liabilities HK\$240 million (at 31 March 2013: HK\$207 million) which included a mortgage balance of HK\$14 million (at 31 March 2013: HK\$16 million) secured by one of the Group's properties with a carrying value of HK\$36 million (at 31 March 2013: HK\$37 million). The trading financial assets totaled HK\$177 million (at 31 March 2013: HK\$209 million). Trading securities and bank deposits totaling HK\$167 million (at 31 March 2013: HK\$191 million) are pledged to the banks to secure banking facilities granted to the Group.

As at 30 September 2013, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 3.54 compared to 3.38 at 30 September 2012. 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 1.7 from 1.64 at 30 September 2012.

## **PROSPECTS AND GENERAL OUTLOOKS**

As our markets continue to be depressed and unfavorable, it is anticipated that both the turnover and profit margin will continue to come under pressure for the rest of the current financial year. While the Toys Division and the Housewares Division still operate under a difficult trading environment and will struggle to achieve a satisfactory performance, the Computer Products Division and the Timepieces Division are expected to report improved results, in the second half of the fiscal year.

Nevertheless, as the measures taken in improving operating efficiency and adapting to market changes as previously reported, have helped the Group become more competitive, the Management believes that the Group's core business activities will be profitable in the second half of the financial year.

## **CONTINGENT LIABILITIES**

As at 30 September 2013, 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.

## **DIVIDEND**

The Directors have declared an interim dividend of HK3 cents per share (2012: HK3 cents). The total amount of dividend payment of HK\$18 million (2012: HK\$18 million) was based on the total number of shares in issue as at 27 November 2013, being the latest practicable date prior to the announcement of the interim results. The dividend will be paid on Wednesday, 15 January 2014 to shareholders registered in the Register of Members on Tuesday, 31 December 2013.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed from Monday, 30 December 2013 to Tuesday, 31 December 2013, 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, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 27 December 2013.

## **SHARE OPTION SCHEME**

The Company adopted a share option scheme on 16 September 2013. No share options have been granted since its adoption.

Apart from the foregoing, at no time during the 6 months ended 30 September 2013 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 18 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 2013, 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		
S T K Cheung	1,897,500	830,000	141,216,297 (Note (i), (ii) & (iii))	143,943,797	23.89%
R Dorfman	49,471,000	–	–	49,471,000	8.21%

Notes:

- (i) Dr S T K Cheung is the beneficiary of a family trust which owned 85,538,356 shares.
- (ii) Dr S T K Cheung is the founder of a separate family trust which owned 35,455,308 shares. His spouse and family members are the beneficiaries of this family trust.
- (iii) Dr S T K Cheung is interested in 20,222,633 shares together with other family members.

All the interests stated above represent long positions.

Save 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 2013 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		
<b>Substantial Shareholders</b>						
Ng Yiu Chi Eleanor	(i)	830,000	107,658,489	35,455,308	143,943,797	23.89%
Goldfinch Cook Investments Ltd ("GCIL")	(ii)	85,538,356	-	-	85,538,356	14.20%
HSBC International Trustee Ltd ("HIT")	(ii)	-	-	120,993,664	120,993,664	20.08%
<b>Other Persons</b>						
Sheri Tillman Dorfman	(iii)	-	49,471,000	-	49,471,000	8.21%
Gershon Dorfman		37,740,799	-	-	37,740,799	6.26%
Lydia Dorfman	(iv)	-	37,740,799	-	37,740,799	6.26%
Moral Excel Holdings Ltd ("MEH")	(ii)	35,455,308	-	-	35,455,308	5.88%

*Notes:*

- (i) The entire interests in shares of 143,943,797 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".
- (ii) 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.
- (iii) 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".
- (iv) 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 2013, the number of employees of the Group was 247 (2012: 252) in Hong Kong, 5,509 (2012: 5,766) in the Mainland China and 82 (2012: 103) in Europe. Total staff costs for the period under review amounted to HK\$231,830,000 (2012: HK\$232,289,000). 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 2013.

## **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 Tang King 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 Dr Cheung Tsang Kay Stan, being the chairman, and Mr Robert Dorfman 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 2013 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. 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.

By Order of the Board  
**Cheung Tsang Kay Stan**  
*Chairman*

Hong Kong, 28 November 2013