



Herald Holdings Limited

Stock Code: 00114

2015/16

Interim Report

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Robert Dorfman *Chairman*
Shum Kam Hung ACIS, CPA
Managing Director
Cheung Tsang Kay Stan PhD,
Hon LLD, Hon DBA, JP

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

Thong Yeung Sum Michael CPA

PRINCIPAL BANKERS

China Construction Bank (Asia)
Corporation Limited
The Hong Kong and Shanghai Banking
Corporation Limited
Fubon Bank (Hong Kong) Limited

AUDITORS

KPMG
Certified Public Accountants

SOLICITORS

Stephenson Harwood

PRINCIPAL OFFICE

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89 Queensway
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REGISTERED OFFICE

Clarendon House
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PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
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Bermuda

HONG KONG SHARE REGISTRAR

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Level 22, Hopewell Centre
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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 2015, together with the comparative figures for the corresponding period in 2014, as follows:

Consolidated Income Statement – Unaudited

For the six months ended 30 September 2015

		Six months ended 30 September	
		2015	2014
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	3	813,987	702,955
Cost of sales		(632,659)	(536,137)
Gross profit		181,328	166,818
Other revenue		5,554	5,747
Other net (loss)/gain		(9,236)	8,662
Selling expenses		(19,367)	(26,186)
Administrative expenses		(131,850)	(131,791)
Profit from operations		26,429	23,250
Finance cost		(109)	(158)
Profit before taxation	4	26,320	23,092
Income tax	5	(9,666)	(5,390)
Profit for the period		16,654	17,702

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

		Six months ended 30 September	
		2015	2014
		HK\$'000	HK\$'000
Attributable to:			
Equity shareholders of the Company		17,958	18,877
Non-controlling interests		(1,304)	(1,175)
		<hr/>	<hr/>
Profit for the period		16,654	17,702
		<hr/>	<hr/>
Earnings per share			
– Basic and diluted	6	2.98 cents	3.13 cents
		<hr/>	<hr/>

The notes on pages 10 to 25 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 10(a).

Consolidated Statement of Comprehensive Income – Unaudited*For the six months ended 30 September 2015*

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Profit for the period	16,654	17,702
Other comprehensive income for the period		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong (no tax effect)	(5,548)	2,990
Total comprehensive income for the period	11,106	20,692
Attributable to:		
Equity shareholders of the company	12,573	21,791
Non-controlling interests	(1,467)	(1,099)
Total comprehensive income for the period	11,106	20,692

The notes on pages 10 to 25 form part of this interim financial report.

Consolidated Balance Sheet – Unaudited

At 30 September 2015

	<i>Note</i>	As at 30 September 2015 HK\$'000	As at 31 March 2015 HK\$'000
Non-current assets			
Fixed assets	7		
– Property, plant and equipment		282,082	267,389
– Investment properties		6,980	6,980
– Interests in leasehold land held for own use under operating leases		3,995	4,057
		293,057	278,426
Intangible assets		1,860	1,860
Other financial assets		20,435	18,040
Deferred tax assets		11,525	13,037
		326,877	311,363
Current assets			
Trading securities		141,930	169,990
Inventories		207,410	188,059
Trade and other receivables	8	329,429	190,142
Pledged bank balances		2,673	5,060
Cash and cash equivalents		147,493	172,171
		828,935	725,422

Consolidated Balance Sheet – Unaudited (Continued)

At 30 September 2015

		As at 30 September 2015	As at 31 March 2015
	<i>Note</i>	HK\$'000	HK\$'000
Current liabilities			
Trade and other payables	9	282,044	178,417
Bank loan		6,813	8,612
Current tax payable		15,797	9,082
		304,654	196,111
Net current assets			
		524,281	529,311
Total assets less current liabilities			
		851,158	840,674
Non-current liabilities			
Deferred tax liabilities		147	147
Provision for long service payments		3,077	3,380
		3,224	3,527
NET ASSETS			
		847,934	837,147
CAPITAL AND RESERVES			
Share capital	10(b)	46,994	46,994
Reserves		783,810	771,237
Total equity attributable to equity shareholders of the Company			
		830,804	818,231
Non-controlling interests			
		17,130	18,916
TOTAL EQUITY			
		847,934	837,147

The notes on pages 10 to 25 form part of this interim financial report.

Consolidated Statement of Changes in Equity – Unaudited*For the six months ended 30 September 2015*

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	PRC statutory reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2015	46,994	18,737	53,891	1,220	25,179	10,201	662,009	818,231	18,916	837,147
Changes in equity for the six months ended 30 September 2015:										
Profit for the period	-	-	-	-	-	-	17,958	17,958	(1,304)	16,654
Other comprehensive income	-	-	-	-	(5,385)	-	-	(5,385)	(163)	(5,548)
Total comprehensive income	-	-	-	-	(5,385)	-	17,958	12,573	(1,467)	11,106
Transfer between reserves	-	-	-	-	-	276	(276)	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(319)	(319)
Balance at 30 September 2015	46,994	18,737	53,891	1,220	19,794	10,477	679,691	830,804	17,130	847,934

Consolidated Statement of Changes in Equity – Unaudited (Continued)*For the six months ended 30 September 2015*

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	PRC statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2014	46,994	18,737	53,891	-	25,711	9,848	688,315	843,496	19,544	863,040
Changes in equity for the six months ended 30 September 2014:										
Profit for the period	-	-	-	-	-	-	18,877	18,877	(1,175)	17,702
Other comprehensive income	-	-	-	-	2,914	-	-	2,914	76	2,990
Total comprehensive income	-	-	-	-	2,914	-	18,877	21,791	(1,099)	20,692
Transfer between reserves	-	-	-	-	-	28	(28)	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(722)	(722)
Balance at 30 September 2014	46,994	18,737	53,891	-	28,625	9,876	707,164	865,287	17,723	883,010

The notes on pages 10 to 25 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement – Unaudited*For the six months ended 30 September 2015*

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Operating activities		
Cash (used in)/generated from operations	(7,648)	1,647
Tax paid	(1,345)	(2,757)
Net cash used in operating activities	(8,993)	(1,110)
Investing activities		
Payment for the purchase of property, plant and equipment	(32,062)	(20,992)
Payment for the purchase of trading securities	(4,077)	(39,180)
Proceeds from the sale of trading securities	19,927	46,795
Other cash flows arising from investing activities	2,863	(5,500)
Net cash used in investing activities	(13,349)	(18,877)
Financing activities		
Repayment of bank loan	(1,799)	(1,749)
Other cash flows arising from financing activities	(428)	(880)
Net cash used in financing activities	(2,227)	(2,629)
Decrease in cash and cash equivalents	(24,569)	(22,616)
Cash and cash equivalents at 1 April	172,171	196,507
Effect of foreign exchange rates changes	(109)	(118)
Cash and cash equivalents at 30 September	147,493	173,773

The notes on pages 10 to 25 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

The interim financial report has 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 27 November 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014/2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015/2016 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

The financial information relating to the financial year ended 31 March 2015 that is included in the interim financial report as comparative 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 2015 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 2015.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group and the Company.

- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

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

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

3. SEGMENT REPORTING

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

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

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2015 and 2014 is set out below.

		Six months ended 30 September 2015						
		Toys	Computer products	Housewares	Timepieces	Investments	Others	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers		496,579	115,567	61,050	140,791	-	-	813,987
Inter-segment revenue		-	-	-	-	-	-	-
Reportable segment revenue		496,579	115,567	61,050	140,791	-	-	813,987
Reportable segment profit/(loss)		45,995	2,919	(5,138)	(2,520)	(10,280)	113	31,089
		As at 30 September 2015						
		Toys	Computer products	Housewares	Timepieces	Investments	Others	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets		454,692	196,199	114,809	153,055	144,603	48,236	1,111,594
Reportable segment liabilities		177,733	38,602	41,026	42,968	-	6,909	307,238

		Six months ended 30 September 2014						
		Toys	Computer products	Housewares	Timepieces	Investments	Others	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers		321,895	117,761	81,687	181,612	-	-	702,955
Inter-segment revenue		-	-	-	-	-	-	-
Reportable segment revenue		321,895	117,761	81,687	181,612	-	-	702,955
Reportable segment profit/(loss)		12,685	8,871	2,379	(1,227)	6,795	220	29,723
		As at 31 March 2015						
		Toys	Computer products	Housewares	Timepieces	Investments	Others	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets		345,523	183,314	111,871	139,262	175,050	49,644	1,004,664
Reportable segment liabilities		100,466	24,446	36,406	34,865	-	8,684	204,867

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

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Profit		
Reportable segment profit	31,089	29,723
Unallocated corporate income and expenses	(4,769)	(6,631)
	26,320	23,092
	At 30 September 2015	At 31 March 2015
	HK\$'000	HK\$'000
Assets		
Reportable segment assets	1,111,594	1,004,664
Elimination of inter-segment receivables	(19,787)	(19,306)
	1,091,807	985,358
Deferred tax assets	11,525	13,037
Unallocated corporate assets	52,480	38,390
	1,155,812	1,036,785

	At 30 September 2015 HK\$'000	At 31 March 2015 HK\$'000
Liabilities		
Reportable segment liabilities	307,238	204,867
Elimination of inter-segment payables	(19,787)	(19,306)
	287,451	185,561
Current tax payable	15,797	9,082
Deferred tax liabilities	147	147
Unallocated corporate liabilities	4,483	4,848
Consolidated total liabilities	307,878	199,638

(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	
	2015	2014
	HK\$'000	HK\$'000
Revenue from external customers		
Hong Kong (place of domicile)	46,090	33,115
North America	391,526	355,147
United Kingdom	134,274	130,288
Europe (excluding United Kingdom)	121,427	84,289
Asia (excluding Mainland China and Hong Kong)	34,095	33,775
Mainland China	30,490	29,975
Others	56,085	36,366
	767,897	669,840
	813,987	702,955

4. PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
(a) Finance cost		
Interest on bank loan	109	158
(b) Other items		
Depreciation	13,987	13,294
Amortisation of land lease premium	62	62
Net loss/(gain) on disposal of property, plant and equipment	614	(169)
Net realised and unrealised losses/(gains) on trading securities	12,210	(4,890)
Staff costs	264,963	222,107
Interest income		
– trading securities	(706)	(604)
– deposits with banks	(275)	(360)
– other loans	(636)	(45)
Rental income	(540)	(431)
Dividend income	(1,225)	(1,301)
Reversal of impairment loss on other receivables	–	(4,914)

5. INCOME TAX

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax	6,437	4,691
Current tax – Outside Hong Kong	1,716	1,368
Deferred tax	1,513	(669)
	9,666	5,390

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2014: 16.5%) to the six months ended 30 September 2015. 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\$17,958,000 (2014: HK\$18,877,000) and the weighted average number of shares of 602,491,000 (2014: 602,491,000) in issue during the period.

There were no dilutive potential shares in existence during the periods ended 30 September 2015 and 2014, and 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:

	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 2015	267,389	6,980	4,057	278,426
Additions	32,062	–	–	32,062
Disposals	(643)	–	–	(643)
Depreciation/ amortisation	(13,987)	–	(62)	(14,049)
Exchange adjustments	(2,739)	–	–	(2,739)
Net book value as at 30 September 2015	282,082	6,980	3,995	293,057

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 2015 HK\$'000	At 31 March 2015 HK\$'000
By date of invoice		
Within 3 months	237,161	122,492
3 to 6 months	15,847	4,653
6 to 12 months	22,618	36,608
12 to 18 months	19,041	88
Over 18 months	247	–
	294,914	163,841
Trade debtors and bills receivable		
Deposits, prepayments and other receivables	34,515	26,301
	329,429	190,142

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. Trade debtors and bills receivable are normally due within 90 days from the date of billing. Except for the trade debtors amounting to HK\$18,686,000 (at 31 March 2015: HK\$26,992,000) which are expected to be recovered after more than one year, all other trade and other receivables are expected to be recovered or recognised as expenses within one year.

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 2015 HK\$'000	At 31 March 2015 HK\$'000
By date of invoice		
Within 1 month	40,399	33,360
Over 1 month but within 3 months	35,762	4,922
Over 3 months	1,634	3,011
	77,795	41,293
Trade creditors and bills payable	204,249	137,124
Accruals and other payables	282,044	178,417

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. CAPITAL, RESERVES AND DIVIDENDS**(a) Dividends**

Dividends payable to equity shareholders attributable to the interim period

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Interim dividend declared and paid after the interim period of HK3 cents per share (2014: HK3 cents per share)	18,075	18,075

The interim dividend has not been recognised as a liability at the balance sheet date.

(b) Share capital

	Number of shares	Amount
	'000	HK\$'000
Authorised:		
Shares of US\$0.01 each	1,000,000	78,000
Issued and fully paid:		
At 1 April 2015 and 30 September 2015	602,491	46,994

11. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial instruments carried at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the balance sheet date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group

	Fair value as at 30 September 2015	Fair value measurement as at 30 September 2015 categorized into		Fair value as at 31 March 2015	Fair value measurement as at 31 March 2015 categorized into	
		Level 1	Level 2		Level 1	Level 2
		HK'000	HK\$'000		HK\$'000	HK\$'000
Recurring fair value measurement						
Assets						
Trading securities						
- listed debt and equity securities	50,353	50,353	-	65,973	65,973	-
- unlisted managed funds, debt securities and structured products	91,577	-	91,577	104,017	-	104,017
	141,930	50,353	91,577	169,990	65,973	104,017

During the six months ended 30 September 2015, 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.

Estimation of fair values

The fair values of listed equity securities and listed debt securities are based on quoted market prices at the balance sheet date without any deduction for transaction costs.

The fair values of unlisted managed funds and unlisted debt securities are based on price quoted by financial institutions.

The fair value of the structured products is estimated by discounted cash flow techniques or using a pricing model. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where a pricing model is used, inputs are based on market related data at the balance sheet date.

(b) Fair values of financial instruments carried at other than fair value

All financial instruments are carried at amounts not materially different from their fair values as at 30 September 2015 and 31 March 2015 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 2015, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	At 30 September 2015		At 31 March 2015	
	Land and buildings	Others	Land and buildings	Others
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	8,413	1,672	7,020	1,681
After 1 year but within 5 years	2,746	1,939	2,896	1,642
	11,159	3,611	9,916	3,323

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	
	2015	2014
	HK\$'000	HK\$'000
Short-term employee benefits	10,305	8,562
Post-employment benefits	2,700	652
	13,005	9,214

BUSINESS REVIEW

The Group's turnover for the six months ended 30 September 2015 amounted to HK\$814 million which was up 16% from HK\$703 million in the corresponding period last year. The profit attributable to the shareholders for the same period was HK\$17.9 million, representing a decline of 5% as compared with HK\$18.9 million a year earlier. Further analysis of the operating results is set out in the following paragraphs.

In the first half of the financial year, the turnover of the Toys Division reached a record high of HK\$497 million, up 54% from HK\$322 million in the year-ago period or equal to 88% of the turnover for the whole year ended 31 March 2015. The increase was mainly attributable to the strong sales of toys related to a popular movie which will be released in December 2015. Because of higher turnover, the first-half operating profit of the division surged to HK\$46.0 million from HK\$12.7 million a year earlier.

The Computer Products Division continued to face challenges in its tape head and thermostat businesses. However, these were partly offset by the shipments of the newly-developed product, the smart connected devices. Compared to the same period last year, the half-yearly sales of the division edged downwards by 2% from HK\$118 million to HK\$116 million. The division recorded an operating profit of HK\$2.9 million in the first half of the financial year, down from HK\$8.9 million a year earlier.

Due to a fire accident at our Zhuhai factory in May 2015 that caused a suspension of production for five weeks, the half-yearly turnover of the Housewares Division fell 25% year-on-year from HK\$82 million to HK\$61 million. Up to the end of September 2015, the total losses attributable to the fire accident amounted to approximately HK\$4.2 million. The actual losses will depend on the amount to be recovered from insurance claims. During the period under review, the division recorded an operating loss of HK\$5.1 million as compared with an operating profit of HK\$2.4 million in the corresponding period last year.

Amid a sluggish retail environment, the Timepieces Division saw its half-yearly turnover drop by 22% to HK\$141 million from HK\$182 million in the previous year. Despite stringent measures taken to control operating costs, the division's operating loss increased to HK\$2.6 million from HK\$1.2 million a year earlier.

In the midst of a volatile financial market stirred by concerns of an interest rate hike in the United States and China's slowing economy, the Group recorded net realised and unrealised losses on trading securities of HK\$12.2 million during the period as compared with gains of HK\$4.9 million a year ago. At 30 September 2015, the Group's trading securities decreased to HK\$142 million from HK\$170 million as at the beginning of the financial year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group continued to exercise prudence in managing its financial resources. As in the past, the Group maintains a sound liquidity position. At 30 September 2015, the Group's cash surplus amounted to HK\$150 million (at 31 March 2015: HK\$177 million).

At 30 September 2015, the Group's total current assets were HK\$829 million (at 31 March 2015: HK\$725 million). The trade and other receivables amounted to HK\$329 million (at 31 March 2015: HK\$190 million) and the current liabilities HK\$305 million (at 31 March 2015: HK\$196 million) which included a mortgage balance of HK\$7 million (at 31 March 2015: HK\$9 million) secured by one of the Group's properties with a carrying value of HK\$33 million (at 31 March 2015: HK\$34 million). Certain trading financial assets and bank deposits totalling HK\$126 million (at 31 March 2015: HK\$155 million) are pledged to the banks to secure banking facilities granted to the Group.

The Group monitors its capital structure on the basis of gearing ratio, which is calculated as total liabilities over total assets. The gearing ratio of the Group as at 30 September 2015 was 27% (at 31 March 2015: 19%).

As at 30 September 2015, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 2.72 compared to 3.70 at 31 March 2015. The quick ratio, another ratio that gauges the short-term liquidity and measured by trade debtors and cash and cash equivalent over current liabilities, decreased to 1.45 from 1.71 at 31 March 2015.

PROSPECTS AND GENERAL OUTLOOK

Based on the current order position of the Toys Division, the management is confident that the division will continue to record satisfactory results in the second half of the financial year. On the other hand, the business of thin-film heads remains soft. However, with the increase in demand for both thermostats and smart connected devices, the prospects for the Computer Products Division are still positive. Due to the fire accident, the Housewares Division will likely record a loss for the current year. Nonetheless, the management expects that the division's results will improve in the coming year. Meanwhile, the management is aware of the challenging times ahead for the Timepieces Division amid weak consumer spending and is developing new product lines to increase sales of the division.

On the whole, the management believes that the Group's core business activities will be profitable in the second half of the financial year.

CONTINGENT LIABILITIES

As at 30 September 2015, 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 (2014: HK3 cents). The total amount of dividend payment of HK\$18 million (2014: HK\$18 million) was based on the total number of shares in issue as at 26 November 2015, being the latest practicable date prior to the announcement of the interim results. The dividend will be paid on Friday, 15 January 2016 to shareholders registered in the Register of Members on Thursday, 31 December 2015.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed from Wednesday, 30 December 2015 to Thursday, 31 December 2015, both days inclusive, during which period no transfer of shares will be effected. In order to be qualified for the interim dividend, shareholders should ensure that all transfers of shares, accompanied by the relevant share certificates, are lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 29 December 2015.

SHARE OPTION SCHEME

The Company adopted a share option scheme ("the share option scheme") on 16 September 2013 for the primary purpose of motivating the eligible participants under the scheme to utilise their performance and efficiency for the benefit of the Group.

According to the share option scheme, the directors of the Company are authorised, at their discretion, to invite any director (including executive, non-executive or independent non-executive directors), employee, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any entity in which any member of the Group holds any interest, and any discretionary trust or Company whose discretionary objects or owners include the aforementioned parties to take up options to subscribe for shares of the Company. Upon acceptance of an option, each eligible participant under the share option scheme is required to pay the Company HK\$1 within 21 days from the date of offer.

The share option scheme became effective on 16 September 2013 and remains in force for 10 years from that date. The exercise price of the options is at least the highest of (a) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average of the closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. Unless otherwise determined by the directors of the Company, there is no requirement of a minimum period for which an option must be held before it can be exercised. An option is exercisable at any time during such period to be notified by the directors of the Company to each grantee, but in any event not later than 10 years from the date of grant of the option. Each option gives the holder the right to subscribe for one share of US\$0.01 each in the Company.

The total number of shares available for issue under the share option scheme as at 30 September 2015 was 60,249,076 shares which represented 10% of the issued share capital of the Company as at the date of adoption of the share option scheme. In respect of the maximum entitlement of each participant under the share option scheme, the number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's shares in issue.

At 30 September 2015, the directors and employees of the Company had the following interests in options to subscribe for shares of the Company (market value per share at 30 September 2015 was HK\$0.94) granted for a nominal consideration of HK\$1 from each grantee for acceptance of the offer under the share option scheme of the Company. The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of the Company.

	No. of options outstanding at the beginning and at the end of the period	Date granted	Period during which options are exercisable	Exercise price per share	Market value per share at date of grant of options*
Employees	6,000,000	23 January 2015	23 January 2015 to 22 January 2025	HK\$0.97	HK\$0.97

* being the weighted average closing price of the Company's ordinary shares immediately before the dates on which the options were granted or exercised, as applicable.

No share options has been exercised, granted, lapsed or cancelled during the six months ended 30 September 2015.

Apart from the foregoing, at no time during the period 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 2015, 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		
Dr Cheung Tsang Kay Stan	1,897,500	830,000	143,216,297 (Note (i), (ii) & (iii))	145,943,797	24.22%
Mr Robert Dorfman	51,471,000	–	–	51,471,000	8.54%

Notes:

- (i) Dr Cheung Tsang Kay Stan is the beneficiary of a family trust which owned 85,538,356 shares.
- (ii) Dr Cheung Tsang Kay Stan is the founder of a separate family trust which owned 37,455,308 shares. His spouse and family members are the beneficiaries of this family trust.
- (iii) Dr Cheung Tsang Kay Stan is interested in 20,222,633 shares together with other family members.

All the interests stated above represent long positions.

Apart from the foregoing, none of the directors or chief executives of the Company, any of their spouses or children under eighteen years of age has 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 2015 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						
Ms Ng Yiu Chi Eleanor	(i)	830,000	107,658,489	37,455,308	145,943,797	24.22%
Goldfinch Cook Investments Ltd ("GCIL")	(ii)	85,538,356	–	–	85,538,356	14.20%
HSBC International Trustee Ltd ("HIT")	(ii)	–	–	122,993,664	122,993,664	20.41%
Other Persons						
Mrs Sheri Tillman Dorfman	(iii)	–	51,471,000	–	51,471,000	8.54%
Mrs Mirriam Bloch		38,572,500	–	–	38,572,500	6.40%
Mr Gershon Dorfman		37,740,799	–	–	37,740,799	6.26%
Mrs Lydia Dorfman	(iv)	–	37,740,799	–	37,740,799	6.26%
Moral Excel Holdings Ltd ("MEH")	(ii)	35,455,308	–	2,000,000	37,455,308	6.22%

Notes:

- (i) The entire interests in shares of 145,943,797 are duplicated by those disclosed under Dr Cheung Tsang Kay Stan, 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 37,455,308 shares held by MEH and its subsidiary company. HIT, the trustee of these trusts, is deemed to be interested in the 122,993,664 shares owned by these trusts.
- (iii) These interests in shares are duplicated by those disclosed under Mr Robert 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 2015, the number of employees of the Group was 233 (2014: 240) in Hong Kong, 6,685 (2014: 4,329) in the Mainland China and 71 (2014: 77) in Europe. Total staff costs for the period under review amounted to HK\$264,963,000 (2014: HK\$222,107,000). The Group ensures that its employees’ remuneration packages are competitive. Employees are rewarded based on their performance and experience and the prevailing industry practice.

CHANGE IN DIRECTORS' INFORMATION

The directors' fees paid to the following independent non-executive directors were revised starting from 1 October 2015 as follows:

	Directors' fees per annum before revision	Directors' fees per annum after revision
	HK\$'000	HK\$'000
Mr. David Tai Chong Lie-A-Cheong	216	252
Mr. Yeh Man Chun Kent	216	252
Mr. Ng Tze Kin David	216	252

Saved as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 2015.

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 Shum Kam Hung. The terms of reference of the remuneration committee have been included on the Company's website.

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30 September 2015 with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules except for the followings:

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.

An independent non-executive director was absent from the annual general meeting held on 16 September 2015 due to other business commitments, which deviates from the code provision A.6.7.

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
Robert Dorfman
Chairman

Hong Kong, 27 November 2015