



# Herald Holdings Limited

Stock Code: 00114

2017/18  
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

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

### SECRETARY

Lai Man Pun 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

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

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

### HONG KONG SHARE REGISTRAR

Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 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 2017, together with the comparative figures for the corresponding period in 2016, as follows:

### Consolidated statement of profit or loss – Unaudited

For the six months ended 30 September 2017

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

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

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

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

**Consolidated statement of profit or loss and other comprehensive income – Unaudited**  
*For the six months ended 30 September 2017*

	<b>Six months ended 30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
<b>Profit for the period</b>	<b>15,044</b>	177,529
<b>Other comprehensive income for the period</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong (no tax effect)	<b>13,671</b>	(9,435)
<b>Total comprehensive income for the period</b>	<b>28,715</b>	168,094
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>30,264</b>	97,650
Non-controlling interests	<b>(1,549)</b>	70,444
<b>Total comprehensive income for the period</b>	<b>28,715</b>	168,094

**Consolidated statement of financial position – Unaudited**

At 30 September 2017

		<b>As at 30 September 2017 HK\$'000</b>	As at 31 March 2017 HK\$'000
<b>Non-current assets</b>			
Investment properties	8	<b>12,635</b>	12,300
Other property, plant and equipment	8	<b>347,900</b>	321,302
Interests in leasehold land held for own use under operating leases	8	<b>3,747</b>	3,809
		<b>364,282</b>	337,411
Intangible assets		<b>1,931</b>	1,965
Other financial assets		<b>12,734</b>	12,734
Deposits for purchase of property, plant and equipment		<b>1,842</b>	7,007
Deferred tax assets		<b>24,384</b>	25,276
		<b>405,173</b>	384,393
<b>Current assets</b>			
Trading securities		<b>126,991</b>	133,972
Inventories		<b>225,043</b>	182,770
Trade and other receivables	9	<b>273,377</b>	173,494
Pledged bank balances		<b>618</b>	14,636
Cash and cash equivalents		<b>134,346</b>	182,068
Current tax recoverable		<b>75</b>	4,247
		<b>760,450</b>	691,187

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

At 30 September 2017

	Note	<b>As at 30 September 2017 HK\$'000</b>	As at 31 March 2017 HK\$'000
<b>Current liabilities</b>			
Trade and other payables	10	262,529	204,744
Bank loans		54,173	54,404
Current tax payable		7,800	4,983
Dividends payable to equity shareholders of the Company		24,180	–
		<b>348,682</b>	264,131
<b>Net current assets</b>			
		<b>411,768</b>	427,056
<b>Total assets less current liabilities</b>			
		<b>816,941</b>	811,449
<b>Non-current liabilities</b>			
Deferred tax liabilities		6,049	7,032
Provision for long service payments		3,041	3,041
		<b>9,090</b>	10,073
<b>NET ASSETS</b>			
		<b>807,851</b>	801,376
<b>CAPITAL AND RESERVES</b>			
Share capital	11	47,150	46,994
Reserves		747,666	739,798
<b>Total equity attributable to equity shareholders of the Company</b>			
		<b>794,816</b>	786,792
<b>Non-controlling interests</b>			
		<b>13,035</b>	14,584
<b>TOTAL EQUITY</b>			
		<b>807,851</b>	801,376

**Consolidated statement of changes in equity – Unaudited**  
*For the six months ended 30 September 2017*

	Attributable to equity shareholders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Property revaluation reserve HK\$'000	Exchange reserve HK\$'000	PRC statutory reserve HK\$'000	Retained profit HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 April 2017	46,994	18,737	53,891	1,220	1,662	(661)	17,704	647,245	786,792	14,584	801,376
<b>Changes in equity for the six months ended 30 September 2017:</b>											
Profit for the period	-	-	-	-	-	-	-	16,830	16,830	(1,786)	15,044
Other comprehensive income	-	-	-	-	-	13,434	-	-	13,434	237	13,671
Total comprehensive income	-	-	-	-	-	13,434	-	16,830	30,264	(1,549)	28,715
Dividends approved in respect of the previous year	-	-	-	-	-	-	-	(24,180)	(24,180)	-	(24,180)
Shares issued under share option scheme	156	2,191	-	(407)	-	-	-	-	1,940	-	1,940
<b>Balance at 30 September 2017</b>	<b>47,150</b>	<b>20,928</b>	<b>53,891</b>	<b>813</b>	<b>1,662</b>	<b>12,773</b>	<b>17,704</b>	<b>639,895</b>	<b>794,816</b>	<b>13,035</b>	<b>807,851</b>



**Consolidated statement of changes in equity – Unaudited (Continued)**  
 For the six months ended 30 September 2017

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity	
	Share capital	Share premium	Contributed surplus	Capital reserve	Property revaluation reserve	Exchange reserve	PRC statutory reserve	Retained profit			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 2016	46,994	18,737	53,891	1,220	1,662	15,242	12,658	656,401	806,805	17,546	824,351
Changes in equity for the six months ended 30 September 2016:											
Profit for the period	-	-	-	-	-	-	-	106,909	106,909	70,620	177,529
Other comprehensive income	-	-	-	-	-	(9,259)	-	-	(9,259)	(176)	(9,435)
Total comprehensive income	-	-	-	-	-	(9,259)	-	106,909	97,650	70,444	168,094
Dividends approved in respect of the previous year	-	-	-	-	-	-	-	(30,125)	(30,125)	-	(30,125)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(657)	(657)
Balance at 30 September 2016	46,994	18,737	53,891	1,220	1,662	5,983	12,658	733,185	874,330	87,333	961,663

**Condensed consolidated cash flow statement – Unaudited***For the six months ended 30 September 2017*

	<b>Six months ended 30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
<b>Operating activities</b>		
Cash (used in)/generated from operations	<b>(52,068)</b>	37,272
Tax paid	<b>(1,573)</b>	(73,497)
Net cash used in operating activities	<b>(53,641)</b>	(36,225)
<b>Investing activities</b>		
Payment for the purchase of property, plant and equipment	<b>(31,133)</b>	(55,323)
Payment for the purchase of trading securities	<b>(26,574)</b>	(7,207)
Proceeds from the sale of trading securities	<b>41,869</b>	9,498
Proceeds from disposal of non-current assets classified as held for sale	<b>–</b>	252,725
Other cash flows arising from investing activities	<b>16,799</b>	2,936
Net cash generated from investing activities	<b>961</b>	202,629
<b>Financing activities</b>		
Proceeds from new bank loans	<b>120,782</b>	12,400
Repayment of bank loans	<b>(121,013)</b>	(2,044)
Other cash flows arising from financing activities	<b>773</b>	(772)
Net cash generated from financing activities	<b>542</b>	9,584
(Decrease)/increase in cash and cash equivalents	<b>(52,138)</b>	175,988
Cash and cash equivalents at 1 April	<b>182,068</b>	176,042
Effect of foreign exchange rates changes	<b>4,416</b>	(174)
Cash and cash equivalents at 30 September	<b>134,346</b>	351,856

## 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 29 November 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016/2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017/2018 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of the interim financial 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 2017 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 2017 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 June 2017.

## 2. CHANGES IN ACCOUNTING POLICIES

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

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

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

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

## 3. SEGMENT REPORTING

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

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

**(a) Segment results, assets and liabilities**

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2017 and 2016 is set out below.

		Six months ended 30 September 2017						
		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 customer		502,023	88,209	59,505	91,815	-	-	741,552
Inter-segment revenue		-	-	-	-	-	1,892	1,892
Reportable segment revenue		502,023	88,209	59,505	91,815	-	1,892	743,444
Reportable segment profit/(loss)		40,942	(1,721)	(1,160)	(21,147)	9,844	(496)	26,262
		As at 30 September 2017						
		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		502,386	128,970	122,333	126,575	127,609	75,260	1,083,133
Reportable segment liabilities		209,536	17,405	39,098	35,606	-	9,979	311,624

## Six months ended 30 September 2016

	Toys HK\$'000	Computer products HK\$'000	Housewares HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	Total HK\$'000
Revenue from external customers	365,948	103,733	71,183	109,029	-	-	649,893
Inter-segment revenue	-	-	-	-	-	1,585	1,585
Reportable segment revenue	365,948	103,733	71,183	109,029	-	1,585	651,478
Reportable segment profit/(loss)	283,125	(3,572)	(1,269)	(6,711)	8,531	(186)	279,918

## As at 31 March 2017

	Toys HK\$'000	Computer products HK\$'000	Housewares HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment assets	362,630	130,670	114,657	123,229	148,608	77,633	957,427
Reportable segment liabilities	153,587	17,186	39,548	28,551	-	12,387	251,259

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

	<b>Six months ended 30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>		
Reportable segment revenue	<b>743,444</b>	651,478
Elimination of segment revenue	<b>(1,892)</b>	(1,585)
Consolidated revenue	<b>741,552</b>	649,893
	<b>Six months ended 30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
<b>Profit</b>		
Reportable segment profit	<b>26,262</b>	279,918
Unallocated corporate income and expenses	<b>(2,695)</b>	(14,653)
Consolidated profit before taxation	<b>23,567</b>	265,265

	<b>At 30 September 2017 HK\$'000</b>	At 31 March 2017 HK\$'000
<b>Assets</b>		
Reportable segment assets	<b>1,083,133</b>	957,427
Elimination of inter-segment receivables	<b>(19,015)</b>	(19,000)
	<b>1,064,118</b>	938,427
Current tax recoverable	<b>75</b>	4,247
Deferred tax assets	<b>24,384</b>	25,276
Unallocated corporate assets	<b>77,046</b>	107,630
Consolidated total assets	<b>1,165,623</b>	1,075,580
<b>Liabilities</b>		
Reportable segment liabilities	<b>311,624</b>	251,259
Elimination of inter-segment payables	<b>(19,015)</b>	(19,000)
	<b>292,609</b>	232,259
Current tax payable	<b>7,800</b>	4,983
Deferred tax liabilities	<b>6,049</b>	7,032
Dividends payable to equity shareholders of the Company	<b>24,180</b>	–
Unallocated corporate liabilities	<b>27,134</b>	29,930
Consolidated total liabilities	<b>357,772</b>	274,204



**(c) Geographic information**

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

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

#### 4. PROFIT BEFORE TAXATION

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

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

- (c) During the six months ended 30 September 2016, the Group recognised a pre-tax gain of HK\$250,515,000 on disposal of properties in Shenzhen (the “Disposal”) after deducting stamp duty, value added taxes, surcharges and professional fees. The Land Appreciation Tax (“LAT”) and Corporate Income Tax in relation to the Disposal amounted to approximately HK\$15,475,000 and HK\$57,725,000 respectively, where both of which were recognised as income tax expenses as set out in note 5.

## 5. INCOME TAX

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

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2016: 16.5%) to the six months ended 30 September 2017. Taxation for subsidiaries outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

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

## 6. DIVIDENDS

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

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

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

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

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

## 7. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$16,830,000 (2016: HK\$106,909,000) and the weighted average number of shares of 602,862,000 (2016: 602,491,000) in issue during the period.

### (b) Diluted earnings per share

The calculation of diluted earnings per share for the period ended 30 September 2017 is based on the profit attributable to equity shareholders of the Company of HK\$16,830,000 (2016: HK\$106,909,000) and the weighted average number of shares of 603,784,000 (2016: 603,000,000), calculated as follows:

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

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

The movements during the period are:

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

## 9. TRADE AND OTHER RECEIVABLES

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

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

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. Trade debtors and bills receivable are normally due within 90 days from the date of billing. All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

## 10. TRADE AND OTHER PAYABLES

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

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

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

## 11. SHARE CAPITAL

	<b>Number of shares '000</b>	<b>Amount HK\$'000</b>
<b>Authorised:</b>		
Shares of US\$0.01 each	<b>1,000,000</b>	<b>78,000</b>
<b>Issued and fully paid:</b>		
At 1 April 2017	<b>602,491</b>	<b>46,994</b>
Shares issued under share option scheme	<b>2,000</b>	<b>156</b>
At 30 September 2017	<b>604,491</b>	<b>47,150</b>



## 12. 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 end of the reporting period 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

	Fair value as at 30 September 2017	Fair value measurement as at 30 September 2017 categorised into		Fair value as at 31 March 2017	Fair value measurement as at 31 March 2017 categorised into	
	HK\$'000	Level 1	Level 2	HK\$'000	Level 1	Level 2
		HK\$'000	HK\$'000		HK\$'000	
<b>Recurring fair value measurement</b>						
Assets						
Trading securities						
- listed debt and equity securities	29,860	29,860	-	35,341	35,341	-
- unlisted managed funds and debt securities	97,131	-	97,131	98,631	-	98,631
	126,991	29,860	97,131	133,972	35,341	98,631

During the six months ended 30 September 2017, 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 end of the reporting period 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 end of the reporting period without any deduction for transaction costs.

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

### (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 2017 and 31 March 2017.

## 13. COMMITMENTS

- (a) At 30 September 2017, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	At 30 September 2017		At 31 March 2017	
	Land and buildings	Others	Land and buildings	Others
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	7,263	1,571	6,926	1,244
After 1 year but within 5 years	9,429	1,371	11,504	1,240
After 5 years	13,550	-	13,903	-
	<b>30,242</b>	<b>2,942</b>	32,333	2,484

- (b) Capital commitments outstanding at 30 September 2017 not provided for in the financial statements were as follows:

	At 30 September 2017 HK\$'000	At 31 March 2017 HK\$'000
Contracted for the purchase of property, plant and equipment	2,014	8,131

- (c) The Group entered into contracts related to obtaining rights to distribute timepieces products under licences, which require the payment of minimum guaranteed royalties. At 30 September 2017, the future minimum guaranteed royalties for licences are payable as follows:

	<b>At 30 September 2017 HK\$'000</b>	At 31 March 2017 HK\$'000
Within 1 year	<b>6,749</b>	8,005
After 1 year but within 5 years	<b>9,486</b>	11,930
	<b>16,235</b>	19,935

#### 14. MATERIAL RELATED PARTY TRANSACTIONS

##### Key management personnel remuneration

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

	<b>Six months ended 30 September</b>	
	<b>2017 HK\$'000</b>	2016 HK\$'000
Short-term employee benefits	<b>11,469</b>	11,274
Post-employment benefits	<b>733</b>	715
	<b>12,202</b>	11,989

## BUSINESS REVIEW

The Group's revenue for the six months ended 30 September 2017 amounted to HK\$742 million which was up 14% from HK\$650 million in the corresponding period last year. The net profit attributable to the equity shareholders for the same period was HK\$16.8 million, representing a decline of 84% as compared with HK\$106.9 million a year earlier. The decrease in net profit was primarily attributable to the absence of a net gain on disposal of properties in Shenzhen attributable to the equity shareholders of approximately HK\$106.4 million last year (the "Disposal Gain"). Further analysis of the operating results is set out in the following paragraphs.

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

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

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

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

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

## PROSPECTS AND GENERAL OUTLOOK

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

## LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group continued to exercise prudence in managing its financial resources. As in the past, the Group maintains a sound liquidity position. At 30 September 2017, the Group's cash balances aggregated to HK\$135 million (at 31 March 2017: HK\$197 million).

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

At 30 September 2017, the Group's current liabilities increased to HK\$349 million from HK\$264 million as at the beginning of the fiscal year. Bank loans consisted of revolving loans of HK\$44 million (at 31 March 2017: HK\$42 million) and a term loan of HK\$10 million (at 31 March 2017: two term loans totaling HK\$12 million). The revolving loans are due for repayment within one year, while the term loan is repayable by fixed monthly instalments with maturity date in August 2021. Certain trading securities, bank balances and properties amounting to HK\$168 million (at 31 March 2017: HK\$191 million) were pledged to the banks to secure the banking facilities of the Group.

The Group monitors its capital structure on the basis of gearing ratio, which is calculated as a percentage of total liabilities over total assets. The gearing ratio of the Group as at 30 September 2017 was 31% (at 31 March 2017: 25%). As at 30 September 2017, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 2.18 as compared to 2.62 at 31 March 2017. The quick ratio, another ratio that gauges the short term liquidity and measured by trade debtors and bills receivable and cash and cash equivalents over current liabilities, decreased to 1.08 from 1.24 at 31 March 2017.

## CONTINGENT LIABILITIES

As at 30 September 2017, the Group did not have any significant contingent liabilities.

## FOREIGN EXCHANGE EXPOSURE

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

## DIVIDEND

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

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed from Friday, 29 December 2017 to Tuesday, 2 January 2018, both days inclusive, during which period no transfer of shares will be effected. In order to be qualified for the interim dividend, shareholders should ensure that all transfers of shares, accompanied by the relevant share certificates, are lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 28 December 2017.

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

As at 30 September 2017, 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")), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

### Interests in issued shares

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

	Number of shares			Total	Percentage of total issued shares
	Personal interests	Interests of spouse	Other interests		
<b>Directors</b>					
Dr Cheung Tsang Kay Stan	1,897,500	830,000	99,047,393 (Note (i) & (ii))	101,774,893	16.84%
Mr Robert Dorfman	51,471,000	–	–	51,471,000	8.51%

Notes:

- (i) Dr Cheung Tsang Kay Stan is the founder of a family trust which owned 59,824,760 shares. His spouse and family members are the beneficiaries of this family trust.
- (ii) Dr Cheung Tsang Kay Stan is interested in 39,222,633 shares together with other family members.

All the interests stated above represent long positions.

An employee of the Group has been granted options under the Company's share option scheme, details of which are set out in the section "Share option scheme" below.

Apart from the foregoing, as at 30 September 2017, 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 (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## 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 2017 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 2017, an employee of the Group had the following interests in options to subscribe for shares of the Company (market value per share at 30 September 2017 was HK\$1.15) granted for a nominal consideration of HK\$1 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 of the period	No. of shares acquired on exercise of options during the period	No. of options outstanding 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*	Market value per share on exercise of options*
Employee	6,000,000	(2,000,000)	4,000,000	23 January 2015	23 January 2015 to 22 January 2025	HK\$0.97	HK\$0.97	HK\$1.14

\* 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 have been granted, lapsed or cancelled during the six months ended 30 September 2017.

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.

## 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, as at 30 September 2017, the persons or corporations (other than directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

### 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 shareholder</b>						
Ms Ng Yiu Chi Eleanor	(i)	830,000	100,944,893	-	101,774,893	16.84%
Ms Cheung Yee Alice	(ii)	30,281,424	-	39,222,633	69,504,057	11.50%
Ms Chang Kan Jane	(iii)	24,781,424	-	39,322,633	64,104,057	10.60%
Mr Tong Shek King Denny	(iv)	-	64,004,057	100,000	64,104,057	10.60%
<b>Other persons</b>						
Moral Excel Holdings Ltd ("MEH")	(v)	57,634,760	-	2,190,000	59,824,760	9.90%
HSBC International Trustee Ltd ("HIT")	(v)	-	-	59,824,760	59,824,760	9.90%
Mrs Sheri Tillman Dorfman	(vi)	-	51,471,000	-	51,471,000	8.51%
Mrs Mirriam Bloch		38,572,500	-	-	38,572,500	6.38%
Mr Gershon Dorfman		37,325,799	-	-	37,325,799	6.17%
Mrs Lydia Dorfman	(vii)	-	37,325,799	-	37,325,799	6.17%

*Notes:*

- (i) The entire interests in shares of 101,774,893 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) Ms Cheung Yee Alice is interested in 39,222,633 shares together with Dr Cheung Tsang Kay Stan and Ms Chang Kan Jane.
- (iii) Ms Chang Kan Jane is interested in 39,222,633 shares together with Dr Cheung Tsang Kay Stan and Ms Cheung Yee Alice. Ms Chang Kan Jane is interested in another 100,000 shares with Mr Tong Shek King Denny.
- (iv) These interests in shares are duplicated by those beneficially owned by Ms Chang Kan Jane.
- (v) MEH is a Company owned by a family trust which was interested in 59,824,760 shares, comprising 57,634,760 shares held by MEH and 2,190,000 shares held by its subsidiary company, as noted in the section “Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures”. HIT, the trustee of this trust, is deemed to be interested in the 59,824,760 shares owned by this trust.
- (vi) 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”.
- (vii) These interests in shares are duplicated by those beneficially owned by Mr Gershon Dorfman.

All the interests stated above represent long positions.

Apart from the foregoing, 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 2017, the number of employees of the Group was 217 (2016: 230) in Hong Kong, 5,321 (2016: 4,425) in the Mainland China and 72 (2016: 75) in Europe. Total staff costs for the period under review amounted to HK\$257,764,000 (2016: HK\$217,979,000). The Group ensures that its employees’ remuneration packages are competitive. Employees are rewarded based on their performance and experience and the prevailing industry practice.

## CHANGE IN DIRECTORS' INFORMATION

The directors' fees paid to the following independent non-executive directors will be revised starting from 1 December 2017 as follows:

	<b>Directors' fees per annum after revision</b>	<b>Directors' fees per annum before revision</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Mr Lie-A-Cheong Tai Chong David	300	252
Mr Yeh Man Chun Kent	300	252
Mr Ng Tze Kin David	300	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 2017.

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30 September 2017 with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules except that the independent non-executive directors are not appointed for a specific term, which deviates from the code provision A.4.1. However, the independent non-executive directors are subject to retirement from office by rotation under the requirements of the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code.

## MODEL CODE

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standards of the Model Code. 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, 29 November 2017