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## HERALD HOLDINGS LIMITED

興利集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code : 00114)

### Annual Results Announcement for the year ended 31 March 2013

The Board of Directors (the “Board”) of Herald Holdings Limited (the “Company”) presents the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2013, together with the comparative figures for the previous year and selected explanatory information, as follows:

#### Consolidated income statement

For the year ended 31 March 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>Turnover</b>	3 & 4	<b>1,344,898</b>	1,399,582
Cost of sales		<u>(999,598)</u>	<u>(1,072,058)</u>
<b>Gross profit</b>		<b>345,300</b>	327,524
Other revenue		<b>16,431</b>	19,358
Other net loss		<b>(2,090)</b>	(15,185)
Selling expenses		<b>(42,111)</b>	(38,695)
Administrative expenses		<b>(275,116)</b>	(257,325)
Valuation gains on investment properties		<b>780</b>	620
Impairment losses on property, plant and equipment	5	<u><b>(950)</b></u>	<u>(832)</u>
<b>Profit from operations</b>		<b>42,244</b>	35,465
Finance cost	6(a)	<b>(308)</b>	-
Share of profit less loss of an associate		<b>25</b>	(732)
Share of profits less losses of jointly controlled entities		<u><b>(526)</b></u>	<u>(1,837)</u>
<b>Profit before taxation</b>	6	<b>41,435</b>	32,896
Income tax	7	<u><b>(16,721)</b></u>	<u>(15,686)</u>
<b>Profit for the year</b>		<u><b>24,714</b></u>	<u>17,210</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>22,989</b>	21,967
Non-controlling interests		<u><b>1,725</b></u>	<u>(4,757)</u>
<b>Profit for the year</b>		<u><b>24,714</b></u>	<u>17,210</u>
<b>Earnings per share</b>	9		
Basic and diluted		<u><b>3.82 cents</b></u>	<u>3.65 cents</u>

Details of dividends payable to equity shareholders of the Company are set out in note 8.

**Consolidated statement of comprehensive income**  
**For the year ended 31 March 2013**

	<b>2013</b> <b>HK\$'000</b>	2012 HK\$'000
<b>Profit for the year</b>	<b>24,714</b>	17,210
<b>Other comprehensive income for the year</b>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong (no tax effect)	<u>2,032</u>	<u>5,041</u>
<b>Total comprehensive income for the year</b>	<u><b>26,746</b></u>	<u>22,251</u>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>24,933</b>	26,501
Non-controlling interests	<u>1,813</u>	<u>(4,250)</u>
<b>Total comprehensive income for the year</b>	<u><b>26,746</b></u>	<u>22,251</u>

**Consolidated balance sheet**  
**At 31 March 2013**

	<b>Note</b>	<b>2013 HK\$'000</b>	<b>2012 HK\$'000</b>
<b>Non-current assets</b>			
Fixed assets			
- Property, plant and equipment		<b>255,534</b>	205,896
- Investment properties		<b>6,680</b>	5,900
- Interests in leasehold land held for own use under operating leases		<b>4,399</b>	4,743
		<b>266,613</b>	216,539
Intangible assets		<b>1,860</b>	1,860
Interest in an associate		<b>1,968</b>	2,048
Interests in jointly controlled entities		<b>225</b>	11,207
Other financial assets		<b>14,820</b>	10,920
Deposits for purchase of property, plant and equipment		<b>-</b>	6,291
Deferred tax assets		<b>10,552</b>	10,761
		<b>296,038</b>	259,626
<b>Current assets</b>			
Trading securities		<b>208,953</b>	161,883
Inventories		<b>209,185</b>	215,928
Trade and other receivables	10	<b>177,212</b>	214,996
Current tax recoverable		<b>2,889</b>	3,339
Pledged bank balances		<b>12,882</b>	36,343
Cash and cash equivalents		<b>184,031</b>	242,441
		<b>795,152</b>	874,930
<b>Current liabilities</b>			
Trade and other payables	11	<b>184,788</b>	214,172
Bank loan		<b>15,565</b>	-
Current tax payable		<b>6,564</b>	8,084
		<b>206,917</b>	222,256
<b>Net current assets</b>		<b>588,235</b>	652,674
<b>Total assets less current liabilities</b>		<b>884,273</b>	912,300

	Note	2013 HK\$'000	2012 HK\$'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		245	247
Provision for long service payments		<u>3,653</u>	<u>3,657</u>
		<u>3,898</u>	<u>3,904</u>
<b>NET ASSETS</b>		<u><b>880,375</b></u>	<u>908,396</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		46,994	46,994
Reserves		<u>813,651</u>	<u>843,035</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<b>860,645</b>	890,029
<b>Non-controlling interests</b>		<u><b>19,730</b></u>	<u>18,367</u>
<b>TOTAL EQUITY</b>		<u><b>880,375</b></u>	<u>908,396</u>

Notes:

## 1. Basis of preparation

The consolidated results set out in this announcement do not constitute the Group's annual financial statements for the year ended 31 March 2013 but are extracted from those financial statements.

The annual financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange")("Listing Rules").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment properties, financial instruments classified as trading securities and derivative financial instruments are stated at their fair value.

## **2. Changes in accounting policies**

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. However, none of these developments is relevant to the Group's financial statements, except for the Amendments to HKAS 12, *Income taxes* which has been early adopted by the Group during the year ended 31 March 2011.

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

## **3. Turnover**

The principal activity of the Company is investment holding. The principal activities of the Group are the manufacture, sale and distribution of toys, computer products, housewares, clocks, watches and electronic and gift products.

Turnover represents the sales value of goods supplied to customers less value added taxes, trade discount and returns.

The Group's customer base is diversified and includes only two (2012: two) customers with whom transactions have exceeded 10% of the Group's revenue. During the year, revenue from sales of toys and computer products to these customers amounted to approximately HK\$373,038,000 (2012: HK\$443,282,000) and HK\$154,776,000 (2012: HK\$174,295,000) respectively and arose mainly in the North America geographical region in which the toys and computer products divisions are active.

## **4. 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**

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets and current assets with the exception of interest in an associate, interests in jointly controlled entities, deferred tax assets, current tax recoverable and other corporate assets. Segment liabilities include all liabilities with the exception of current tax payable, deferred tax liabilities and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses do not include the Group's share of revenue and expenses arising from the activities of the Group's associate and jointly controlled entities.

The measure used for reporting segment profit is "profit from operations".

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 years ended 31 March 2013 and 2012 is set out below:

**2013**

	<b>Toys</b>	<b>Computer products</b>	<b>Housewares</b>	<b>Timepieces</b>	<b>Investments</b>	<b>Others</b>	<b>Consolidated</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue from external customers	557,472	295,847	132,218	359,361	-	-	1,344,898
Inter-segment revenue	-	-	-	-	-	-	-
<b>Reportable segment revenue</b>	<b>557,472</b>	<b>295,847</b>	<b>132,218</b>	<b>359,361</b>	<b>-</b>	<b>-</b>	<b>1,344,898</b>
<b>Reportable segment profit/(loss)</b>	<b>21,977</b>	<b>43,928</b>	<b>(6,982)</b>	<b>(1,898)</b>	<b>13,797</b>	<b>1,380</b>	<b>72,202</b>
Interest income	484	58	34	33	2,039	-	2,648
Depreciation and amortisation for the year	(11,795)	(10,498)	(2,754)	(2,589)	(604)	(2,347)	(30,587)
Impairment losses on property, plant and equipment	-	-	(499)	(451)	-	-	(950)
<b>Reportable segment assets</b>	<b>305,552</b>	<b>204,377</b>	<b>110,423</b>	<b>172,162</b>	<b>221,834</b>	<b>53,905</b>	<b>1,068,253</b>
Additions to non-current segment assets during the year	16,035	17,152	3,146	4,666	-	33,953	74,952
<b>Reportable segment liabilities</b>	<b>93,110</b>	<b>49,017</b>	<b>36,541</b>	<b>30,816</b>	<b>-</b>	<b>15,638</b>	<b>225,122</b>

2012

	Toys HK\$'000	Computer products HK\$'000	Housewares HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	Consolidated HK\$'000
Revenue from external customers	640,455	297,276	130,496	331,355	-	-	1,399,582
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	640,455	297,276	130,496	331,355	-	-	1,399,582
Reportable segment profit/(loss)	25,952	53,154	(28,514)	(3,768)	(7,640)	2,837	42,021
Interest income	655	33	94	467	2,830	-	4,079
Depreciation and amortisation for the year	(12,120)	(9,932)	(2,443)	(1,863)	(300)	(1,432)	(28,090)
Impairment losses on property, plant and equipment	-	-	(497)	(335)	-	-	(832)
Reportable segment assets	374,652	219,861	119,127	157,510	198,226	20,421	1,089,797
Additions to non-current segment assets during the year	19,395	3,547	16,543	2,200	-	3,570	45,255
Reportable segment liabilities	123,582	39,819	40,560	28,567	-	78	232,606



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

	<b>2013</b> <b>HK\$'000</b>	<b>2012</b> <b>HK\$'000</b>
<b>Profit</b>		
Reportable segment profit	<b>72,202</b>	42,021
Share of profit less loss of an associate	<b>25</b>	(732)
Share of profits less losses of jointly controlled entities	<b>(526)</b>	(1,837)
Unallocated corporate income and expenses	<b>(30,266)</b>	(6,556)
Consolidated profit before taxation	<b>41,435</b>	32,896
	<b>2013</b> <b>HK\$'000</b>	<b>2012</b> <b>HK\$'000</b>
<b>Interest income</b>		
Reportable segment interest income	<b>2,648</b>	4,079
Unallocated corporate interest income	<b>94</b>	151
Consolidated interest income	<b>2,742</b>	4,230
	<b>2013</b> <b>HK\$'000</b>	<b>2012</b> <b>HK\$'000</b>
<b>Assets</b>		
Reportable segment assets	<b>1,068,253</b>	1,089,797
Elimination of inter-segment receivables	<b>(25,869)</b>	(19,071)
	<b>1,042,384</b>	1,070,726
Interests in jointly controlled entities	<b>225</b>	11,207
Interest in an associate	<b>1,968</b>	2,048
Deferred tax assets	<b>10,552</b>	10,761
Current tax recoverable	<b>2,889</b>	3,339
Unallocated corporate assets	<b>33,172</b>	36,475
Consolidated total assets	<b>1,091,190</b>	1,134,556
	<b>2013</b> <b>HK\$'000</b>	<b>2012</b> <b>HK\$'000</b>
<b>Liabilities</b>		
Reportable segment liabilities	<b>225,122</b>	232,606
Elimination of inter-segment payables	<b>(25,869)</b>	(19,071)
	<b>199,253</b>	213,535
Current tax payable	<b>6,564</b>	8,084
Deferred tax liabilities	<b>245</b>	247
Unallocated corporate liabilities	<b>4,753</b>	4,294
Consolidated total liabilities	<b>210,815</b>	226,160

(c) **Geographical information**

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, intangible assets and interests in an associate, jointly controlled entities and deposits for purchase of property, plant and equipment ("specified non-current assets"). The geographical location of customers is based on the location at which the goods are delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of fixed assets, the location of the operation to which they are allocated, in the case of intangible assets, the location of operations, in the case of interests in an associate and jointly controlled entities and the planned physical location of the assets, in the case of deposits for purchase of property, plant and equipment.

	Revenue from external customers		Specified non-current assets	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Hong Kong (place of domicile)	<b>67,463</b>	94,526	<b>66,529</b>	32,310
North America	<b>613,305</b>	670,734	<b>3</b>	5
United Kingdom	<b>256,910</b>	290,981	<b>25,907</b>	25,875
Europe (excluding United Kingdom)	<b>197,080</b>	180,290	<b>1,968</b>	13,255
Asia (excluding Mainland China and Hong Kong)	<b>127,383</b>	95,167	-	-
Mainland China	<b>7,106</b>	9,472	<b>176,259</b>	166,500
Others	<b>75,651</b>	58,412	-	-
	<b>1,277,435</b>	1,305,056	<b>204,137</b>	205,635
	<b>1,344,898</b>	1,399,582	<b>270,666</b>	237,945

**5. Impairment losses on property, plant and equipment**

During the year ended 31 March 2013, the directors carried out an assessment of the recoverable amount of certain property, plant and equipment of the Group and as a result the carrying amount of the property, plant and equipment has been written down by HK\$950,000 (2012: HK\$832,000). The estimates of recoverable amount were based on the value in use of the property, plant and equipment where the directors assessed that these assets are unable to generate positive cash flows to the Group.

## 6. Profit before taxation

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

	2013 HK\$'000	2012 HK\$'000
(a) <b>Finance cost</b>		
Interest on bank loan wholly repayable within five years	<u>308</u>	<u>-</u>
(b) <b>Other items</b>		
Depreciation	30,241	27,747
Amortisation of land lease premium	346	343
Loss on disposal of investment properties	-	734
Loss/(gain) on disposal of property, plant and equipment	29	(1,322)
Net realised and unrealised (gains)/losses on trading securities	(9,078)	12,908
Interest income from		
- trading securities	(2,039)	(2,830)
- deposits with banks	(703)	(1,400)
Gain on disposal of investment in a jointly controlled entity	-	(1,233)
Rental income	(838)	(3,089)
Dividend income from listed securities	(2,819)	(2,396)
Impairment loss on trade debtors	610	1,036
Impairment loss on interest in a jointly controlled entities	649	-
Impairment losses on amount due from and loan to a jointly controlled entity	<u>16,815</u>	<u>-</u>

## 7. Income tax

	2013 HK\$'000	2012 HK\$'000
Hong Kong Profits Tax	10,693	16,816
Taxation outside Hong Kong	5,818	(454)
Deferred tax	<u>210</u>	<u>(676)</u>
	<u>16,721</u>	<u>15,686</u>

The provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

## 8. Dividends payable to equity shareholders of the Company attributable to the year

	2013 HK\$'000	2012 HK\$'000
Interim dividend declared and paid of HK3 cents (2012 : HK3 cents) per share	18,075	18,075
Final dividend proposed after the balance sheet date of HK4 cents (2012 : HK6 cents) per share	<u>24,100</u>	<u>36,149</u>
	<u>42,175</u>	<u>54,224</u>

## 9. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$22,989,000 (2012: HK\$21,967,000) and the weighted average number of shares of 602,491,000 (2012: 602,491,000) in issue during the year.

There were no dilutive potential shares in existence during the years ended 31 March 2012 and 2013, and therefore diluted earnings per share is the same as the basic earnings per share for both the current and prior years.

## 10. Trade and other receivables

Included in trade and other receivables are trade debtors and bills receivable (based on the invoice date and net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	<b>At 31 March 2013 HK\$'000</b>	<b>At 31 March 2012 HK\$'000</b>
Within 3 months	<b>126,707</b>	163,499
3 to 6 months	<b>13,643</b>	2,984
6 to 12 months	<b>517</b>	617
Trade debtors and bills receivable	<b>140,867</b>	167,100
Deposits, prepayments and other receivables	<b>36,345</b>	47,896
	<b>177,212</b>	214,996

Trade debtors and bills receivable are normally due within 90 days from the date of billing.

## 11. 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:

	<b>At 31 March 2013 HK\$'000</b>	<b>At 31 March 2012 HK\$'000</b>
<b>By date of invoice</b>		
Within 1 month	<b>33,053</b>	49,129
Over 1 month but within 3 months	<b>5,305</b>	11,492
Over 3 months	<b>947</b>	444
Trade creditors and bills payable	<b>39,305</b>	61,065
Accruals and other payables	<b>145,483</b>	153,107
	<b>184,788</b>	214,172

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

## **BUSINESS REVIEW**

The turnover of the Group for the year ended 31 March 2013 was HK\$1,345 million which was HK\$55 million or 4% down from the previous year. The net profit attributable to the equity shareholders of the Company was HK\$23 million compared to HK\$22 million in last year. Detailed analysis of the operating results is set out in the following paragraphs.

### **Toys Division**

The Toys Division continued to experience a difficult trading environment and a sluggish market in the United States. Both sales volume and profit margin came under pressure amid severe competition among the toy manufacturers and rising costs of production. The turnover for the year was down by 13% to HK\$557 million and the operating profit of HK\$22 million represents a decrease of HK\$4 million or 15% as compared to last year.

### **Computer Products Division**

The Computer Products Division had a satisfactory performance during the year. The turnover of HK\$296 million remained at a similar level as last year, but the operating profit decreased to HK\$44 million from HK\$53 million last year as a result of a price concession offered on one of the Division's main products.

### **Housewares Division**

As with the Toys Division, the Housewares Division experienced a tough trading environment with stiff competition and rising production costs. The turnover of the Division, which amounted to HK\$132 million, slightly exceeded the HK\$130 million recorded last year and the operating loss shrank from HK\$29 million to HK\$7 million due to the savings achieved from the closure of Herald Metal Products Company Limited in Shanghai.

### **Timepieces Division**

The performance of the Timepieces Division remained unsatisfactory. Although sales for the year increased by HK\$28 million or 8% to HK\$359 million, the Division recorded an operating loss of HK\$2 million compared with HK\$4 million in the previous year.

### **Other Investments**

The Group had a small gain of HK\$0.8 million (2012: HK\$0.6 million) on the revaluation of the investment properties for the year ended 31 March 2013. Net realised and unrealised gains amounting to HK\$9 million (2012: losses of HK\$13 million) were recorded on trading securities. The dividend and interest income on trading securities for the year amounted to HK\$5 million (2012: HK\$5 million). As at 31 March 2013, the group's trading securities amounted to HK\$209 million, an increase of HK\$47 million over last year.

In addition, the Group recorded a loss of HK\$12 million on its loan to Ventura Watches AG because the management considers that in view of the poor market conditions in Europe, the loan amount would not be recoverable in the foreseeable future.

In July 2012, the Group completed the acquisition of a property at Wong Chuk Hang at a consideration of HK\$36 million for use by the Computer Products Division. The

purchase was financed partly by bank mortgage loan of HK\$18 million, repayable over 5 years and partly by internal funding.

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

The Group continues to maintain its sound financial position. At the end of the financial year, the Group had a strong balance sheet with healthy liquidity. As at 31 March 2013, the Group had total assets of HK\$1,092 million (2012: HK\$1,134 million) which were financed by current liabilities of HK\$207 million (2012: HK\$222 million) including a mortgage loan balance of HK\$16 million (2012: nil), non-current liabilities of HK\$4 million (2012: HK\$4 million), non-controlling interests of HK\$20 million (2012: HK\$18 million) and equity attributable to the Company's equity shareholders of HK\$861 million (2012: HK\$890 million).

As at 31 March 2013, the Group's cash balances aggregated to HK\$197 million, down from HK\$279 million a year ago. The Group's current assets as at 31 March 2013 amounted to HK\$795 million compared to HK\$875 million as at 31 March 2012. The inventories decreased to HK\$209 million from HK\$216 million and the trade and other receivables also decreased to HK\$177 million from HK\$215 million. The trading financial assets as at 31 March 2013 amounted to HK\$209 million (2012: HK\$162 million).

At 31 March 2013, the Group's current liabilities decreased to HK\$207 million from HK\$222 million in last year. Certain trading financial assets and bank deposits amounting to HK\$191 million (2012: HK\$179 million) are pledged to banks to secure banking facilities granted to the Group.

As at 31 March 2013, the working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 3.84 as compared to 3.94 in the last year. The quick ratio, another ratio that gauges the short-term liquidity and measured by trade debtors and cash and cash equivalents over current liabilities, decreased to 1.57 from 1.84 in the previous year.

## **CONTINGENT LIABILITIES**

As at 31 March 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 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.

## **PROSPECTS AND GENERAL OUTLOOK**

The trading environment of the toy industry which is expected to remain competitive and difficult, will continue to impact the sales volume and profit margin of the Toys Division. Nevertheless, it is hoped that the Division's performance will improve in the year ending 31 March 2014. On the other hand, the Computer Products Division remains optimistic about the prospect of a satisfactory performance for another year. The Housewares Division which experiences similar difficulties as the Toys Division in trading conditions and profit margin, will struggle to be profitable in the current financial year. Meanwhile, the management believes that the Timepieces Division, with the benefit of new brands of

products and expanded customer base, will record improved results despite the depressed market in Europe.

As the global economy is still struggling to recover, the current financial year will remain challenging for the Group. However, the Group will continue to take measures to improve operating efficiency and adapt to market changes to ensure that it remains competitive. The management is optimistic that the Group's core business activities will be profitable in the year ending 31 March 2014.

## **DIVIDEND**

At the forthcoming Annual General Meeting to be held on 16 September 2013, the Directors will recommend a final dividend of HK4 cents per share (2012: HK6 cents). Together with the interim dividend of HK3 cents (2012: HK3 cents), the dividend for the year of HK7 cents (2012: HK9 cents) would represent an annual return of 8.0% (2012: 8.7%) on the Company's average share price of HK\$0.88 (2012: HK\$1.03) in the year ended 31 March 2013.

The final dividend which will amount to HK\$24,100,000 is calculated based on the total number of shares in issue as at 26 June 2013, being the latest practicable date prior to the announcement of the results.

## **REGISTER OF MEMBERS**

The Annual General Meeting is scheduled on Monday, 16 September 2013. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Friday, 13 September 2013 to Monday, 16 September 2013, both days inclusive, during which period no transfer of shares will be effected. In order to be able to attend and vote at the Annual General Meeting, 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 Thursday, 12 September 2013.

The proposed final dividend is subject to the passing of the ordinary resolution by the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is Wednesday, 25 September 2013. For determining the entitlement to the proposed final dividend, the register of the members of the Company will be closed from Tuesday, 24 September 2013 to Wednesday, 25 September 2013, both days inclusive, during which period no transfer of shares will be effected. In order to be qualified for the proposed final dividend, shareholders should ensure that all transfers of shares, accompanied by the relevant share certificates, are lodged with Tricor Tengis Limited for registration no later than 4.30 p.m. on Monday, 23 September 2013. The payment of final dividend, if approved at the Annual General Meeting, will be made on Friday, 11 October 2013.

## **EMPLOYEES**

As at 31 March 2013, the number of employees of the Group was approximately 248 in Hong Kong, 5,294 in Mainland China and 91 in Europe. The Group ensures that its employee's remuneration packages are competitive. Employees are rewarded based on their performance and experience and the prevailing industry practice. Total staff costs for the year amounted to HK\$418,352,000 (2012: HK\$416,026,000).

## **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 year ended 31 March 2013.

## **AUDIT COMMITTEE**

The audit committee reports to the Board 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 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 annual results of the Group have been reviewed by the audit committee of the Company.

## **REMUNERATION COMMITTEE**

The Company has established a remuneration committee which currently comprises two independent non-executive directors, namely Mr. Ng Tze Kin, David, being the chairman, and Mr. Yeh Man Chun, Kent and one executive director, namely Mr. Thong Yeung Sum, Michael. The terms of reference of the remuneration committee have been included on the Company's website.

## **NOMINATION COMMITTEE**

The Company established a nomination committee on 26 March 2012. 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 with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2013 except that the non-executive director and independent non-executive directors are not appointed for a specific term, which deviates from the code provision A.4.1. However, the non-executive director and independent non-executive directors are subject to retirement from office by rotation under the requirements of the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of the Company's directors, all directors confirmed that they have complied with the required standards set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.



## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This announcement is published on the Stock Exchange's website ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company's website ([www.heraldgroup.com.hk](http://www.heraldgroup.com.hk)). The 2013 annual report containing all the information required by the Listing Rules will be dispatched to the shareholders and published on the Stock Exchange's website and the Company's website in due course.

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

Hong Kong, 27 June 2013

*As at the date of this announcement, the Board of Directors of the Company comprises Messrs. Cheung Tsang Kay, Stan, Robert Dorfman, Thong Yeung Sum, Michael and Tang King Hung as executive directors and Messrs. David Tai Chong Lie-A-Cheong, Yeh Man Chun, Kent and Ng Tze Kin, David as independent non-executive directors.*

*\*For identification only*