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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 2014

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 2014, together with the comparative figures for the previous year and selected explanatory information, as follows:

#### Consolidated income statement

For the year ended 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Turnover</b>	3 & 4	<b>1,339,770</b>	1,344,898
Cost of sales		<u>(1,006,382)</u>	<u>(999,598)</u>
<b>Gross profit</b>		<b>333,388</b>	345,300
Other revenue		<b>14,112</b>	16,431
Other net gain/(loss)		<b>8,473</b>	(2,090)
Selling expenses		<b>(44,037)</b>	(42,111)
Administrative expenses		<b>(268,873)</b>	(275,116)
Valuation gains on investment properties		<b>210</b>	780
Impairment losses on property, plant and equipment	5	<u><b>(496)</b></u>	<u>(950)</u>
<b>Profit from operations</b>		<b>42,777</b>	42,244
Finance cost	6(a)	<b>(385)</b>	(308)
Share of profit less loss of an associate		<b>(432)</b>	25
Share of profits less losses of joint ventures		<u><b>(225)</b></u>	<u>(526)</u>
<b>Profit before taxation</b>	6	<b>41,735</b>	41,435
Income tax	7	<u><b>(14,304)</b></u>	<u>(16,721)</u>
<b>Profit for the year</b>		<u><b>27,431</b></u>	<u>24,714</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>26,474</b>	22,989
Non-controlling interests		<u><b>957</b></u>	<u>1,725</u>
<b>Profit for the year</b>		<u><b>27,431</b></u>	<u>24,714</u>
<b>Earnings per share</b>	9		
Basic and diluted		<u><b>4.39 cents</b></u>	<u>3.82 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 2014**

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
<b>Profit for the year</b>	<b>27,431</b>	24,714
<b>Other comprehensive income for the year</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)	<u>(1,431)</u>	<u>2,032</u>
<b>Total comprehensive income for the year</b>	<b><u>26,000</u></b>	<b><u>26,746</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>25,026</b>	24,933
Non-controlling interests	<b><u>974</u></b>	<b><u>1,813</u></b>
<b>Total comprehensive income for the year</b>	<b><u><u>26,000</u></u></b>	<b><u><u>26,746</u></u></b>

**Consolidated balance sheet**  
**At 31 March 2014**

	<b>Note</b>	<b>2014 HK\$'000</b>	<b>2013 HK\$'000</b>
<b>Non-current assets</b>			
Fixed assets			
- Property, plant and equipment		<b>263,146</b>	255,534
- Investment properties		<b>6,040</b>	6,680
- Interests in leasehold land held for own use under operating leases		<b>4,180</b>	4,399
		<b>273,366</b>	266,613
Intangible assets		<b>1,860</b>	1,860
Interest in an associate		-	1,968
Interests in joint ventures		-	225
Other financial assets		<b>10,920</b>	14,820
Deferred tax assets		<b>9,217</b>	10,552
		<b>295,363</b>	296,038
<b>Current assets</b>			
Trading securities		<b>180,619</b>	208,953
Inventories		<b>209,113</b>	209,185
Trade and other receivables	10	<b>191,170</b>	177,212
Current tax recoverable		-	2,889
Pledged bank balances		<b>18,017</b>	12,882
Cash and cash equivalents		<b>196,507</b>	184,031
		<b>795,426</b>	795,152
<b>Current liabilities</b>			
Trade and other payables	11	<b>203,738</b>	184,788
Bank loan		<b>12,136</b>	15,565
Current tax payable		<b>8,033</b>	6,564
		<b>223,907</b>	206,917
<b>Net current assets</b>		<b>571,519</b>	588,235
<b>Total assets less current liabilities</b>		<b>866,882</b>	884,273

	Note	2014 HK\$'000	2013 HK\$'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		261	245
Provision for long service payments		3,581	3,653
		<u>3,842</u>	<u>3,898</u>
<b>NET ASSETS</b>		<u><b>863,040</b></u>	<u>880,375</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		46,994	46,994
Reserves		<u>796,502</u>	<u>813,651</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<b>843,496</b>	860,645
<b>Non-controlling interests</b>		<u><b>19,544</b></u>	<u>19,730</u>
<b>TOTAL EQUITY</b>		<u><b>863,040</b></u>	<u>880,375</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 2014 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 applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that 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 new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 11, *Joint arrangements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of other new or amended HKFRSs are discussed below:

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

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income has been modified accordingly.

### ***HKFRS 10, Consolidated financial statements***

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

The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

### ***HKFRS 11, Joint arrangements***

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements.

Proportionate consolidation is no longer allowed as an accounting policy choice.

The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

#### **HKFRS 12, *Disclosure of interest in other entities***

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

#### **HKFRS 13, *Fair value measurement***

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

### **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 tax, trade discount and returns.

The Group's customer base is diversified and includes only one (2013: two) customer with whom transactions have exceeded 10% of the Group's revenue. During the year, revenue from sales of toys to this customer amounted to approximately HK\$444,489,000 and arose mainly in the North America geographical region in which the toys division is active (2013: revenue from sales of toys and computer products to these customers amounted to approximately HK\$373,038,000 and HK\$154,776,000 respectively and arose mainly in the North America geographical region in which the toys and computer products division 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 joint ventures, 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 joint ventures.

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 2014 and 2013 is set out below:

**2014**

	Computer						
	Toys	products	Housewares	Timepieces	Investments	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	585,166	289,764	131,362	333,478	-	-	1,339,770
Inter-segment revenue	-	-	-	-	-	-	-
<b>Reportable segment revenue</b>	<b>585,166</b>	<b>289,764</b>	<b>131,362</b>	<b>333,478</b>	<b>-</b>	<b>-</b>	<b>1,339,770</b>
<b>Reportable segment profit/(loss)</b>	<b>22,770</b>	<b>31,272</b>	<b>(2,790)</b>	<b>(16,739)</b>	<b>5,583</b>	<b>5,997</b>	<b>46,093</b>
Interest income	196	29	30	92	1,636	-	1,983
Interest expense	-	-	-	-	-	(385)	(385)
Depreciation and amortisation for the year	(10,053)	(8,541)	(2,785)	(2,601)	(301)	(2,719)	(27,000)
Impairment losses on property, plant and equipment	-	-	(496)	-	-	-	(496)
<b>Reportable segment assets</b>	<b>348,492</b>	<b>191,677</b>	<b>125,687</b>	<b>154,756</b>	<b>198,636</b>	<b>51,148</b>	<b>1,070,396</b>
Additions to non-current segment assets during the year	17,558	9,848	2,499	1,822	-	599	32,326
<b>Reportable segment liabilities</b>	<b>103,023</b>	<b>27,394</b>	<b>41,076</b>	<b>49,980</b>	<b>-</b>	<b>12,206</b>	<b>233,679</b>



2013

	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	557,472	295,847	132,218	359,361	-	-	1,344,898
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	557,472	295,847	132,218	359,361	-	-	1,344,898
Reportable segment profit/(loss)	21,977	43,928	(6,982)	(1,898)	13,797	1,380	72,202
Interest income	484	58	34	33	2,039	-	2,648
Interest expense	-	-	-	-	-	(308)	(308)
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)
Reportable segment assets	305,552	204,377	110,423	172,162	221,834	53,905	1,068,253
Additions to non-current segment assets during the year	16,035	17,152	3,146	4,666	-	33,953	74,952
Reportable segment liabilities	93,110	49,017	36,541	30,816	-	15,638	225,122

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

	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit</b>		
Reportable segment profit	<b>46,093</b>	72,202
Share of profit less loss of an associate	<b>(432)</b>	25
Share of profits less losses of joint ventures	<b>(225)</b>	(526)
Unallocated corporate expenses	<b>(3,701)</b>	(30,266)
	<u><b>41,735</b></u>	<u>41,435</u>
Consolidated profit before taxation	<u><b>41,735</b></u>	<u>41,435</u>
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Interest income</b>		
Reportable segment interest income	<b>1,983</b>	2,648
Unallocated corporate interest income	<b>109</b>	94
	<u><b>2,092</b></u>	<u>2,742</u>
Consolidated interest income	<u><b>2,092</b></u>	<u>2,742</u>
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Assets</b>		
Reportable segment assets	<b>1,070,396</b>	1,068,253
Elimination of inter-segment receivables	<b>(19,383)</b>	(25,869)
	<u><b>1,051,013</b></u>	<u>1,042,384</u>
Interests in joint ventures	-	225
Interest in an associate	-	1,968
Deferred tax assets	<b>9,217</b>	10,552
Current tax recoverable	-	2,889
Unallocated corporate assets	<b>30,559</b>	33,172
	<u><b>1,090,789</b></u>	<u>1,091,190</u>
Consolidated total assets	<u><b>1,090,789</b></u>	<u>1,091,190</u>
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Liabilities</b>		
Reportable segment liabilities	<b>233,679</b>	225,122
Elimination of inter-segment payables	<b>(19,383)</b>	(25,869)
	<u><b>214,296</b></u>	<u>199,253</u>
Current tax payable	<b>8,033</b>	6,564
Deferred tax liabilities	<b>261</b>	245
Unallocated corporate liabilities	<b>5,159</b>	4,753
	<u><b>227,749</b></u>	<u>210,815</u>
Consolidated total liabilities	<u><b>227,749</b></u>	<u>210,815</u>

(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 and joint ventures ("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 and the location of operations, in the case of interests in an associate and joint ventures.

	Revenue from external customers		Specified non-current assets	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong (place of domicile)	<b>88,250</b>	67,463	<b>60,848</b>	66,529
North America	<b>602,491</b>	613,305	<b>1</b>	3
United Kingdom	<b>237,769</b>	256,910	<b>27,525</b>	25,907
Europe (excluding United Kingdom)	<b>154,346</b>	197,080	-	1,968
Asia (excluding Mainland China and Hong Kong)	<b>131,858</b>	127,383	-	-
Mainland China	<b>32,698</b>	7,106	<b>186,852</b>	176,259
Others	<b>92,358</b>	75,651	-	-
	<b>1,251,520</b>	1,277,435	<b>214,378</b>	204,137
	<b>1,339,770</b>	1,344,898	<b>275,226</b>	270,666

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

During the year ended 31 March 2014, 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\$496,000 (2013: HK\$950,000). 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):

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
<b>(a) Finance cost</b>		
Interest on bank loan wholly repayable within five years	<u><b>385</b></u>	<u>308</u>
<b>(b) Other items</b>		
Depreciation	<b>26,781</b>	30,241
Amortisation of land lease premium	<b>219</b>	346
(Gain)/loss on disposal of property, plant and equipment	<b>(5,084)</b>	29
Net realised and unrealised gains on trading securities	<b>(1,618)</b>	(9,078)
Interest income from		
- trading securities	<b>(1,636)</b>	(2,039)
- deposits with banks	<b>(456)</b>	(703)
Rental income	<b>(785)</b>	(838)
Dividend income from listed securities	<b>(2,404)</b>	(2,819)
Impairment loss on trade debtors	-	610
Impairment loss on interest in a joint venture	-	649
Impairment loss on other financial assets	<b>3,900</b>	-
Impairment loss on interest in an associate	<b>1,707</b>	-
Impairment losses on amount due from and loan to a joint venture	<u><b>3,596</b></u>	<u>16,815</u>

**7. Income tax**

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Hong Kong Profits Tax	<b>7,877</b>	10,693
Taxation outside Hong Kong	<b>5,042</b>	5,818
Deferred tax	<u><b>1,385</b></u>	<u>210</u>
	<u><b>14,304</b></u>	<u>16,721</u>

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 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**

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Interim dividend declared and paid of HK3 cents (2013 : HK3 cents) per share	<b>18,075</b>	18,075
Final dividend proposed after the balance sheet date of HK4 cents (2013 : HK4 cents) per share	<u><b>24,100</b></u>	<u>24,100</u>
	<u><b>42,175</b></u>	<u>42,175</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\$26,474,000 (2013: HK\$22,989,000) and the weighted average number of shares of 602,491,000 (2013: 602,491,000) in issue during the year.

There were no dilutive potential shares in existence during the years ended 31 March 2013 and 2014, 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 2014 HK\$'000</b>	<b>At 31 March 2013 HK\$'000</b>
Within 3 months	<b>149,791</b>	126,707
3 to 6 months	<b>7,704</b>	13,643
6 to 12 months	<b>-</b>	517
Trade debtors and bills receivable	<b>157,495</b>	140,867
Deposits, prepayments and other receivables	<b>33,675</b>	36,345
	<b>191,170</b>	177,212

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 2014 HK\$'000</b>	<b>At 31 March 2013 HK\$'000</b>
<b>By date of invoice</b>		
Within 1 month	<b>47,491</b>	33,053
Over 1 month but within 3 months	<b>6,603</b>	5,305
Over 3 months	<b>1,327</b>	947
Trade creditors and bills payable	<b>55,421</b>	39,305
Accruals and other payables	<b>148,317</b>	145,483
	<b>203,738</b>	184,788

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 2014 was HK\$1,340 million which was slightly down from HK\$1,345 million in the previous year. The net profit attributable to the equity shareholders of the Company was HK\$26.5 million representing an increase of 15% over HK\$23.0 million in last year. Detailed analysis of the operating results is set out in the following paragraphs.

### **Toys Division**

Given that the trading environment in the toy industry continued to be difficult, the division recorded a satisfactory result for the year compared to a year ago, mainly due to savings achieved from improved operating efficiency. The turnover increased by 5% to HK\$585 million and the operating profit amounted to HK\$22.8 million, up 4% from HK\$22.0 million last year.

### **Computer Products Division**

The Computer Products Division had a less successful year because of price pressures from our customers, which brought the gross profit margin down by 5% from the previous year. Total sales amounted to HK\$290 million, a decline of 2% from last year but the operating profit decreased to HK\$31.3 million from HK\$43.9 million a year ago.

### **Housewares Division**

As with the Toys Division, the Housewares Division has been successful in bringing the operating overheads under tighter control. While the turnover remained at the same level of last year at HK\$131 million, the loss was reduced from HK\$7.0 million in the previous year to HK\$2.8 million.

### **Timepieces Division**

The performance of the Timepieces Division remained unsatisfactory, and the turnover dropped by 7% to HK\$333 million. To cope with the continuously sluggish markets in the United Kingdom and some other European countries, the division underwent a restructuring by streamlining its operations which gave rise to an one-off expense of HK\$13.7 million, and recorded an operating loss of HK\$16.7 million compared to HK\$1.9 million last year.

### **Other Investments**

The Group had a gain of HK\$0.2 million (2013: HK\$0.8 million) on the revaluation of the investment properties for the year ended 31 March 2014. Net realised and unrealised gains amounting to HK\$1.6 million (2013: HK\$9.0 million) were recorded on trading securities. The dividend and interest income on trading securities amounted to HK\$4.0 million for the year (2013: HK\$4.9 million). At 31 March 2014, the Group's trading securities amounted to HK\$181 million, a decrease of HK\$28 million from last year.

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

The Group continues to maintain in sound financial health. At the end of the financial year, the Group had a strong balance sheet with healthy liquidity. At 31 March 2014, the total assets amounted to HK\$1,091 million (2013: HK\$1,092 million) which were financed by current liabilities of HK\$224 million (2013: HK\$207 million) including a mortgage loan of HK\$12 million (2013: HK\$16 million), non-current liabilities of HK\$4 million (2013: HK\$4 million), non-controlling interests of HK\$20 million (2013: HK\$20 million) and equity attributable to the Company's equity shareholders of HK\$843 million (2013: HK\$861 million).

At 31 March 2014, the Group's cash balances aggregated to HK\$215 million, up from HK\$197 million a year ago. The current assets as at 31 March 2014 amounted to HK\$795 million (2013: HK\$795 million). The inventories remained at HK\$209 million as at last year end and the trade and other receivables increased from HK\$177 million to HK\$191 million. The trading financial assets at 31 March 2014 amounted to HK\$181 million (2013: HK\$209 million)

At 31 March 2014, the Group's current liabilities increased to HK\$224 million from HK\$207 last year. Certain trading financial assets and bank deposits amounting to HK\$108 million (2013: HK\$191 million) were pledged to banks to secure banking facilities granted to the Group.

At 31 March 2014, the working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 3.55 as compared to 3.84 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, slightly increased to 1.58 from 1.57 in the previous year.

## **CONTINGENT LIABILITIES**

At 31 March 2014, 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 against its foreign exchange exposure.

## **PROSPECT AND GENERAL OUTLOOK**

The trading environment for both the Toys and Housewares Divisions are expected to continue to be difficult in the current financial year. However, it is hoped that these divisions will record more favourable results due to cost savings achieved from improved operating efficiency. The Computer Products Division will experience a decrease in the volume of thin-film heads but it is likely that the decrease will be compensated by the increase in the demand of the smart thermostats such that the division will maintain its profitability. With the restructuring of the operations and the expansion of the markets in Asia and North America, the Timepieces Division is now in a better position to return to profit in the current fiscal year.

As the global economy has been recovering at a slower pace than anticipated, the current financial year continues to be challenging for the Group. Nevertheless, the Group has made every effort to improve operating efficiency and expand its customer base so as to remain competitive under the difficult business environment. In consequence, the management believes that the Group's core businesses are capable of sustaining the overall profitability in the year ending 31 March 2015.

## **DIVIDEND**

At the forthcoming Annual General Meeting to be held on 11 September 2014, the directors will recommend a final dividend of HK4 cents per share (2013: HK4 cents). Together with the interim dividend of HK3 cents (2013: HK3 cents), the dividend for the year of HK7 cents (2013: HK7 cents) would represent an annual return of 8% (2013: 8%) on the Company's average share price of HK\$0.88 (2013: HK\$0.88) in the year ended 31 March 2014.

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 2014, being the latest practicable date prior to the announcement of the results.

## **REGISTER OF MEMBERS**

The Annual General Meeting is scheduled to be held on Thursday, 11 September 2014. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 8 September 2014 to Thursday, 11 September 2014, 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4.30 p.m. on Friday, 5 September 2014.

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 Friday, 19 September 2014. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 18 September 2014 to Friday, 19 September 2014, 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 Wednesday, 17 September 2014. The payment of final dividend, if approved at the Annual General Meeting, will be made on Friday, 10 October 2014.

## **EMPLOYEES**

As at 31 March 2014, the number of employees of the Group was approximately 238 in Hong Kong, 4,677 in Mainland China and 78 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\$453,785,000 (2013: HK\$418,352,000).



## **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 2014.

## **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. Tang King Hung. 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 currently 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 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 2014 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.

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 2014 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  
**Robert Dorfman**  
Chairman

Hong Kong, 27 June 2014

*As at the date of this announcement, the Board of Directors of the Company comprises Messrs. Robert Dorfman, Tang King Hung and Cheung Tsang Kay, Stan 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*