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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 2015

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 2015, together with the comparative figures for the previous year and selected explanatory information, as follows:

Consolidated income statement

For the year ended 31 March 2015

	Note	2015 HK\$'000	2014 HK\$'000
Turnover	3 & 4	1,265,104	1,339,770
Cost of sales		<u>(973,082)</u>	<u>(1,006,382)</u>
Gross profit		292,022	333,388
Other revenue		12,169	14,112
Other net gain		2,985	8,473
Selling expenses		(39,807)	(44,037)
Administrative expenses		(246,579)	(268,873)
Valuation gains on investment properties		940	210
Impairment losses on property, plant and equipment		<u>(71)</u>	<u>(496)</u>
Profit from operations		21,659	42,777
Finance cost	5(a)	(347)	(385)
Share of loss of an associate		(311)	(432)
Share of profits less losses of joint ventures		<u>-</u>	<u>(225)</u>
Profit before taxation	5	21,001	41,735
Income tax	6	<u>(4,685)</u>	<u>(14,304)</u>
Profit for the year		<u>16,316</u>	<u>27,431</u>
Attributable to:			
Equity shareholders of the Company		16,222	26,474
Non-controlling interests		<u>94</u>	<u>957</u>
Profit for the year		<u>16,316</u>	<u>27,431</u>
Earnings per share	8		
Basic and diluted		<u>HK2.69 cents</u>	<u>HK4.39 cents</u>

Details of dividends payable to equity shareholders of the Company are set out in note 7.

Consolidated statement of comprehensive income
For the year ended 31 March 2015

	Note	2015 HK\$'000	2014 HK\$'000
Profit for the year		16,316	27,431
Other comprehensive income for the year			
<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>(525)</u>	<u>(1,431)</u>
Total comprehensive income for the year		<u>15,791</u>	<u>26,000</u>
Attributable to:			
Equity shareholders of the Company		15,690	25,026
Non-controlling interests		<u>101</u>	<u>974</u>
Total comprehensive income for the year		<u>15,791</u>	<u>26,000</u>

Consolidated balance sheet
At 31 March 2015

	Note	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Fixed assets			
- Property, plant and equipment		267,389	263,146
- Investment properties		6,980	6,040
- Interests in leasehold land held for own use under operating leases		4,057	4,180
		278,426	273,366
Intangible assets		1,860	1,860
Interest in an associate		-	-
Interests in joint ventures		-	-
Other financial assets		18,040	10,920
Deferred tax assets		13,037	9,217
		311,363	295,363
Current assets			
Trading securities		169,990	180,619
Inventories		188,059	209,113
Trade and other receivables	9	190,142	191,170
Pledged bank balances		5,060	18,017
Cash and cash equivalents		172,171	196,507
		725,422	795,426
Current liabilities			
Trade and other payables	10	178,417	203,738
Bank loan		8,612	12,136
Current tax payable		9,082	8,033
		196,111	223,907
Net current assets		529,311	571,519
Total assets less current liabilities		840,674	866,882

	Note	2015 HK\$'000	2014 HK\$'000
Non-current liabilities			
Deferred tax liabilities		147	261
Provision for long service payments		3,380	3,581
		<u>3,527</u>	<u>3,842</u>
NET ASSETS		<u>837,147</u>	<u>863,040</u>
CAPITAL AND RESERVES			
Share capital		46,994	46,994
Reserves		<u>771,237</u>	<u>796,502</u>
Total equity attributable to equity shareholders of the Company		818,231	843,496
Non-controlling interests		<u>18,916</u>	<u>19,544</u>
TOTAL EQUITY		<u>837,147</u>	<u>863,040</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 2015 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") and accounting principles generally accepted in Hong Kong. The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period, as permitted by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") ("Listing Rules"), continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32). The financial statements also comply with the applicable disclosure provisions of the 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. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

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

Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's financial results as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit whose recoverable amount is based on fair value less costs of disposal. The adoption of the amendments does not have an impact on the Group's financial results.

3. Turnover

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

The Group's customer base is diversified and includes only one (2014: one) 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\$440,270,000 (2014: HK\$444,489,000). For both years, the sales arose mainly in the North America geographical region in which the toys division is 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

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 2015 and 2014 is set out below:

	2015						
	Toys	Computer products	Housewares	Timepieces	Investments	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	563,825	217,353	165,184	318,742	-	-	1,265,104
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	563,825	217,353	165,184	318,742	-	-	1,265,104
Reportable segment profit	8,736	11,250	632	6,991	12,096	1,061	40,766
Interest income	404	18	24	208	1,717	-	2,371
Interest expense	(22)	-	-	-	-	(290)	(312)
Depreciation and amortisation for the year	(12,351)	(4,753)	(2,836)	(2,030)	-	(2,734)	(24,704)
Impairment losses on property, plant and equipment	-	-	(71)	-	-	-	(71)
Reportable segment assets	345,523	183,314	111,871	139,262	175,050	49,644	1,004,664
Additions to non-current segment assets during the year	26,143	1,730	2,437	2,492	-	14	32,816
Reportable segment liabilities	100,466	24,446	36,406	34,865	-	8,684	204,867

2014

	Computer Toys products Housewares Timepieces Investments Others Consolidated	Computer products Housewares Timepieces Investments Others Consolidated	Computer products Housewares Timepieces Investments Others Consolidated	Computer products Housewares Timepieces Investments Others Consolidated	Computer products Housewares Timepieces Investments Others Consolidated	Computer products Housewares Timepieces Investments Others Consolidated	Computer 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	-	-	-	-	-	-	-
Reportable segment revenue	585,166	289,764	131,362	333,478	-	-	1,339,770
Reportable segment profit/(loss)	22,770	31,272	(2,790)	(16,739)	5,583	5,997	46,093
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)
Reportable segment assets	348,492	191,677	125,687	154,756	198,636	51,148	1,070,396
Additions to non-current segment assets during the year	17,558	9,848	2,499	1,822	-	599	32,326
Reportable segment liabilities	103,023	27,394	41,076	49,980	-	12,206	233,679

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

	2015 HK\$'000	2014 HK\$'000
Profit		
Reportable segment profit	40,766	46,093
Share of loss of an associate	(311)	(432)
Share of profits less losses of joint ventures	-	(225)
Unallocated corporate expenses	<u>(19,454)</u>	<u>(3,701)</u>
Consolidated profit before taxation	<u><u>21,001</u></u>	<u><u>41,735</u></u>
Interest income		
Reportable segment interest income	2,371	1,983
Unallocated corporate interest income	<u>67</u>	<u>109</u>
Consolidated interest income	<u><u>2,438</u></u>	<u><u>2,092</u></u>
Interest expense		
Reportable segment interest expense	312	385
Unallocated corporate interest expense	<u>35</u>	<u>-</u>
Consolidated interest expense	<u><u>347</u></u>	<u><u>385</u></u>
Assets		
Reportable segment assets	1,004,664	1,070,396
Elimination of inter-segment receivables	<u>(19,306)</u>	<u>(19,383)</u>
	985,358	1,051,013
Deferred tax assets	13,037	9,217
Unallocated corporate assets	<u>38,390</u>	<u>30,559</u>
Consolidated total assets	<u><u>1,036,785</u></u>	<u><u>1,090,789</u></u>
Liabilities		
Reportable segment liabilities	204,867	233,679
Elimination of inter-segment payables	<u>(19,306)</u>	<u>(19,383)</u>
	185,561	214,296
Current tax payable	9,082	8,033
Deferred tax liabilities	147	261
Unallocated corporate liabilities	<u>4,848</u>	<u>5,159</u>
Consolidated total liabilities	<u><u>199,638</u></u>	<u><u>227,749</u></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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Hong Kong (place of domicile)	100,505	88,250	61,659	60,848
North America	572,135	602,491	6	1
United Kingdom	245,941	237,769	23,544	27,525
Europe (excluding United Kingdom)	149,566	154,346	-	-
Asia (excluding Mainland China and Hong Kong)	67,723	131,858	-	-
Mainland China	60,841	32,698	195,077	186,852
Others	68,393	92,358	-	-
	1,164,599	1,251,520	218,627	214,378
	1,265,104	1,339,770	280,286	275,226

5. Profit before taxation

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

	2015 HK\$'000	2014 HK\$'000
(a) Finance cost		
Interest on bank loan wholly repayable within five years	<u>347</u>	<u>385</u>
(b) Other items		
Depreciation	24,580	26,781
Amortisation of land lease premium	124	219
Loss/(gain) on disposal of property, plant and equipment	292	(5,084)
Net realised and unrealised gains on trading securities	(8,710)	(1,618)
Interest income from		
- trading securities	(1,717)	(1,636)
- deposits with banks	(721)	(456)
Rental income	(967)	(785)
Dividend income from listed securities	(1,735)	(2,404)
Reversal of impairment loss on other receivables	(4,944)	-
Impairment loss on trade debtors	373	-
Impairment loss on other financial assets	-	3,900
(Reversal of impairment loss)/impairment loss on interest in an associate	(311)	1,707
Impairment losses on amount due from and loan to a joint venture	<u>-</u>	<u>3,596</u>

6. Income tax

	2015 HK\$'000	2014 HK\$'000
Hong Kong Profits Tax	6,002	7,877
Taxation outside Hong Kong	2,617	5,042
Deferred tax	<u>(3,934)</u>	<u>1,385</u>
	<u>4,685</u>	<u>14,304</u>

The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% (2014: 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.

7. Dividends payable to equity shareholders of the Company attributable to the year

	2015 HK\$'000	2014 HK\$'000
Interim dividend declared and paid of HK3 cents (2014: HK3 cents) per share	18,075	18,075
Final dividend proposed after the balance sheet date of HK4 cents (2014: HK4 cents) per share	<u>24,100</u>	<u>24,100</u>
	<u>42,175</u>	<u>42,175</u>

8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$16,222,000 (2014: HK\$26,474,000) and the weighted average number of shares of 602,491,000 (2014: 602,491,000) in issue during the year.

There were no dilutive potential shares in existence during the years ended 31 March 2014 and 2015, and therefore diluted earnings per share is the same as the basic earnings per share for both the current and prior years.

9. 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:

	At 31 March 2015 HK\$'000	At 31 March 2014 HK\$'000
Within 3 months	122,492	149,791
3 to 6 months	4,653	7,704
6 to 12 months	36,608	-
Over 12 months	88	-
Trade debtors and bills receivable	163,841	157,495
Deposits, prepayments and other receivables	26,301	33,675
	<u>190,142</u>	<u>191,170</u>

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

10. Trade and other payables

Included in trade and other payables are trade creditors and bills payable (based on the invoice date) with the following ageing analysis as of the balance sheet date:

	At 31 March 2015 HK\$'000	At 31 March 2014 HK\$'000
Within 1 month	33,360	47,491
Over 1 month but within 3 months	4,922	6,603
Over 3 months	3,011	1,327
Trade creditors and bills payable	41,293	55,421
Accruals and other payables	137,124	148,317
	<u>178,417</u>	<u>203,738</u>

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. Non-adjusting post balance sheet events

On 13 May 2015, a fire accident took place at the factory operated by a subsidiary of the Group. The Group has preliminarily assessed the extent of damage to the factory and the impact on the business operations as a result of the fire accident. Based on the preliminary assessment, the total losses due to the fire accident amount to approximately HK\$3,800,000. Such losses include, among other things, losses on property, plant and equipment, inspection and safety assessment fees of the factory, claims from customers, but exclude the losses arising from cancellation of orders previously received or potential orders.

The Group has insurance coverage in place to cover the losses attributable to the fire accident as well as the loss of profits due to interruption of business operations of the Group. The Group is currently working with the relevant insurance company to ascertain the damages as a result of the fire accident. The actual losses to be reflected in the Group's financial statements for the year ending 2016 will depend on the amount which the Group is able to recover from the relevant insurance company.

BUSINESS REVIEW

The turnover of the Group for the year ended 31 March 2015 was HK\$1,265 million which was down 6% from HK\$1,340 million in the previous year. The net profit attributable to the equity shareholders of the Company was HK\$16.2 million, representing a decrease of 39% from HK\$26.5 million a year earlier. The decline in net profit was primarily due to lower turnover and net foreign exchange losses of approximately HK\$11.4 million arising mainly from the depreciation of the Pound sterling. Detailed analysis of the operating results is set out in the following paragraphs.

Toys Division

Like most of the toy factories in Mainland China, the Toys Division experienced very tough operating conditions. The price pressure resulting from intense competition among toy factories and the rise of wage rates have continued to erode the profit margin of the division. Compared to last year, the turnover of the division for the year under review decreased by 4% from HK\$585 million to HK\$564 million and its operating profit decreased by 62% from HK\$22.8 million to HK\$8.7 million.

Computer Products Division

The business of the Computer Products Division weakened in the fiscal year 2014/15 with its sales shrinking by 25% year-on-year to HK\$217 million as both the tape head and thermostat businesses suffered setbacks during the year. The division saw its operating profit fall 64% to HK\$11.3 million from HK\$31.3 million in the previous year.

Housewares Division

Bolstered by the strong sales in the UK and Europe, the turnover of the Housewares Division grew 26% to HK\$165 million from HK\$131 million a year earlier. However, the results of the division were negatively affected by foreign exchange losses arising from the devaluation of the Pound sterling. In comparison with an operating loss of HK\$2.8 million in the previous year, the division recorded an operating profit of HK\$0.6 million for the year ended 31 March 2015.

Timepieces Division

We are pleased to report that the Timepieces Division returned to profitability in the year under review. As a result of the continuous efforts in streamlining the operation, the division now benefits from lower operating costs. For the year ended 31 March 2015, the turnover of the division dropped 4% year-on-year to HK\$319 million and its operating profit was HK\$7.0 million as compared to an operating loss of HK\$16.7 million last year.

Other Investments

The Group had a gain of HK\$0.9 million (2014: HK\$0.2 million) on the revaluation of the investment properties for the year ended 31 March 2015. Net realised and unrealised gains amounting to HK\$8.7 million (2014: HK\$1.6 million) were recorded on trading securities. The dividend and interest income on trading securities amounted to HK\$3.5 million for the year (2014: HK\$4.0 million). At 31 March 2015, the Group's trading securities amounted to HK\$170 million, a decrease of HK\$11 million from last year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group continues to maintain its sound financial health. At the end of the financial year, the Group had a strong balance sheet with healthy liquidity. At 31 March 2015, the total assets amounted to HK\$1,037 million (2014: HK\$1,091 million) which were financed by current liabilities of HK\$196 million (2014: HK\$224 million) including a mortgage loan of HK\$9 million (2014: HK\$12 million), non-current liabilities of HK\$4 million (2014: HK\$4 million), non-controlling interests of HK\$19 million (2014: HK\$20 million) and equity attributable to the Company's equity shareholders of HK\$818 million (2014: HK\$843 million).

At 31 March 2015, the Group's cash balances aggregated to HK\$177 million, down from HK\$215 million a year ago. The current assets at 31 March 2015 amounted to HK\$725 million (2014: HK\$795 million). The inventories decreased from HK\$209 million to HK\$188 million and the trade and other receivables decreased slightly from HK\$191 million to HK\$190 million. The trading financial assets at 31 March 2015 amounted to HK\$170 million (2014: HK\$181 million).

At 31 March 2015, the Group's current liabilities decreased to HK\$196 million from HK\$224 million last year. Certain trading financial assets and bank deposits amounting to HK\$155 million (2014: HK\$108 million) were pledged to banks to secure banking facilities granted to the Group.

At 31 March 2015, the working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 3.70 as compared to 3.55 last year. 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, increased to 1.71 from 1.58 in the previous year.

CONTINGENT LIABILITIES

At 31 March 2015, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

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

PROSPECT AND GENERAL OUTLOOK

As reflected by the latest orders position, the turnover of the Toys Division for the current financial year is expected to increase over last year although the profit margins will continue to come under heavy pressure. Nevertheless, coupled with the cost savings achieved from improved operating efficiency, the division will be in a better position to report improved results.

On the other hand, the business of thin-film heads shows little sign of improvement but it is hoped that with the increase in demand of the smart thermostats, the results of the Computer Products Division will remain satisfactory.

The Housewares Division will likely record a loss for the year, following a fire accident at our Zhuhai factory in May 2015 that caused significant disruption to the business operations, including production stoppage for one month. The extent of loss will depend on the amount to be recovered from insurance claims.

The performance of the Timepieces Division is expected to continue to improve now that the restructuring of the operations has been successfully completed.

As the global market has not recovered as much as one would have liked, the current financial year will continue to be challenging for the Group. Nevertheless, with the continuing efforts on improving the productivity and expanding the customer base, it is anticipated that the overall results of the Group's core businesses will improve over last year.

DIVIDEND

At the forthcoming Annual General Meeting to be held on 16 September 2015, the directors will recommend a final dividend of HK4 cents per share (2014: HK4 cents). Together with the interim dividend of HK3 cents (2014: HK3 cents), the dividend for the year of HK7 cents (2014: HK7 cents) would represent an annual return of 7% (2014: 8%) on the Company's average share price of HK\$0.94 (2014: HK\$0.88) in the year ended 31 March 2015.

The final dividend which will amount to HK\$24,100,000 is calculated based on the total number of shares in issue as at 28 June 2015, 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 Wednesday, 16 September 2015. 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, 14 September 2015 to Wednesday, 16 September 2015, 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, 11 September 2015.

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, 25 September 2015. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 24 September 2015 to Friday, 25 September 2015, 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, 23 September 2015. The payment of final dividend, if approved at the Annual General Meeting, will be made on Friday, 16 October 2015.

EMPLOYEES

As at 31 March 2015, the number of employees of the Group was approximately 235 in Hong Kong, 4,592 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\$410,751,000 (2014: HK\$466,214,000).

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 2015.

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 Lie-A-Cheong Tai Chong, David 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 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 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 2015 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) and the Company’s website (www.heraldgroup.com.hk). The 2015 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, 29 June 2015

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. Lie-A-Cheong Tai Chong, David, Yeh Man Chun, Kent and Ng Tze Kin, David as independent non-executive directors.

**For identification only*