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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 2012

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 2012, together with the comparative figures for the previous year and selected explanatory information, as follows:

Consolidated income statement

For the year ended 31 March 2012

		2012	2011
	Note	HK\$'000	HK\$'000
Turnover	3 & 4	1,399,582	1,623,525
Cost of sales		<u>(1,072,058)</u>	<u>(1,233,584)</u>
Gross profit		327,524	389,941
Other revenue		19,358	19,407
Other net (loss)/income		(15,185)	9,317
Selling expenses		(38,695)	(38,545)
Administrative expenses		(257,325)	(264,424)
Valuation gains on investment properties		620	21,884
Impairment losses on property, plant and equipment	5(a)	(832)	(1,237)
Impairment losses on intangible assets	5(b)	<u>-</u>	<u>(1,697)</u>
Profit from operations		35,465	134,646
Share of profit less loss of an associate		(732)	617
Share of profits less losses of jointly controlled entities		<u>(1,837)</u>	<u>95</u>
Profit before taxation	6	32,896	135,358
Income tax	7	<u>(15,686)</u>	<u>(22,258)</u>
Profit for the year		<u>17,210</u>	<u>113,100</u>
Attributable to:			
Equity shareholders of the Company		21,967	111,215
Non-controlling interests		<u>(4,757)</u>	<u>1,885</u>
Profit for the year		<u>17,210</u>	<u>113,100</u>
Earnings per share	9		
Basic and diluted		<u>3.65 cents</u>	<u>18.46 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 2012

	2012 HK\$'000	2011 HK\$'000
Profit for the year	17,210	113,100
Other comprehensive income for the year		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong (no tax effect)	<u>5,041</u>	<u>7,362</u>
Total comprehensive income for the year	<u><u>22,251</u></u>	<u><u>120,462</u></u>
Attributable to:		
Equity shareholders of the Company	26,501	118,101
Non-controlling interests	<u>(4,250)</u>	<u>2,361</u>
Total comprehensive income for the year	<u><u>22,251</u></u>	<u><u>120,462</u></u>

Consolidated balance sheet
At 31 March 2012

	Note	2012 HK\$'000	2011 HK\$'000
Non-current assets			
Fixed assets			
- Property, plant and equipment		205,896	194,887
- Investment properties		5,900	54,000
- Interests in leasehold land held for own use under operating leases		4,743	5,069
		216,539	253,956
Intangible assets		1,860	1,860
Interest in an associate		2,048	3,082
Interest in jointly controlled entities		11,207	10,935
Other financial assets		10,920	4,680
Deposits for purchase of property, plant and equipment		6,291	-
Deferred tax assets		10,761	10,086
		259,626	284,599
Current assets			
Trading securities		161,883	156,242
Inventories		215,928	188,656
Trade and other receivables	10	214,996	183,708
Current tax recoverable		3,339	5,457
Pledged bank balances		36,343	49,593
Cash and cash equivalents		242,441	299,641
		874,930	883,297
Current liabilities			
Trade and other payables	11	214,172	206,746
Current tax payable		8,084	16,063
		222,256	222,809
Net current assets		652,674	660,488
Total assets less current liabilities		912,300	945,087

	Note	2012 HK\$'000	2011 HK\$'000
Non-current liabilities			
Deferred tax liabilities		247	248
Provision for long service payments		3,657	3,007
		<u>3,904</u>	<u>3,255</u>
NET ASSETS		<u>908,396</u>	<u>941,832</u>
CAPITAL AND RESERVES			
Share capital		46,994	46,994
Reserves		<u>843,035</u>	<u>870,758</u>
Total equity attributable to equity shareholders of the Company		890,029	917,752
Non-controlling interests		<u>18,367</u>	<u>24,080</u>
TOTAL EQUITY		<u>908,396</u>	<u>941,832</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 2012 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 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. Of these, the following developments are relevant to the Group's financial statements:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)

The impacts of these developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.
- Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments in the financial statements have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, with the exception of the amendments to HKAS 12, *Income taxes*, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, *Investment property*. The amendments are effective for annual periods beginning on or after 1 January 2012, but as permitted by the amendments, the Group has decided to adopt the amendments during the year ended 31 March 2011.

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 (2011: 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\$443,282,000 (2011: HK\$568,886,000) and HK\$174,295,000 (2011: HK\$196,946,000) 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.

(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, interest 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 2012 and 2011 is set out below:

	2012						
	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	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

2011							
	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	766,612	327,256	155,803	373,854	-	-	1,623,525
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	766,612	327,256	155,803	373,854	-	-	1,623,525
Reportable segment profit/(loss)	71,885	49,402	(11,003)	(10,817)	10,699	23,771	133,937
Interest income	387	18	108	198	2,816	-	3,527
Depreciation and amortisation for the year	(14,035)	(10,067)	(2,224)	(3,897)	(283)	(1,495)	(32,001)
Impairment losses on property, plant and equipment	-	-	(246)	(991)	-	-	(1,237)
Impairment losses on intangible assets	-	-	-	(1,697)	-	-	(1,697)
Reportable segment assets	335,266	193,313	117,131	197,479	205,833	67,719	1,116,741
Additions to non-current segment assets during the year	8,913	6,187	1,833	3,446	-	1,670	22,049
Reportable segment liabilities	117,053	35,178	40,502	31,037	-	394	224,164

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

	2012 HK\$'000	2011 HK\$'000
Profit		
Reportable segment profit	42,021	133,937
Share of profit less loss of an associate	(732)	617
Share of profits less losses of jointly controlled entities	(1,837)	95
Unallocated corporate income and expenses	<u>(6,556)</u>	<u>709</u>
Consolidated profit before taxation	<u>32,896</u>	<u>135,358</u>
	2012 HK\$'000	2011 HK\$'000
Interest income		
Reportable segment interest income	4,079	3,527
Unallocated corporate interest income	<u>151</u>	<u>238</u>
Consolidated interest income	<u>4,230</u>	<u>3,765</u>
	2012 HK\$'000	2011 HK\$'000
Assets		
Reportable segment assets	1,089,797	1,116,741
Elimination of inter-segment receivables	<u>(19,071)</u>	<u>(19,127)</u>
	1,070,726	1,097,614
Interest in jointly controlled entities	11,207	10,935
Interest in an associate	2,048	3,082
Deferred tax assets	10,761	10,086
Current tax recoverable	3,339	5,457
Unallocated corporate assets	<u>36,475</u>	<u>40,722</u>
Consolidated total assets	<u>1,134,556</u>	<u>1,167,896</u>
	2012 HK\$'000	2011 HK\$'000
Liabilities		
Reportable segment liabilities	232,606	224,164
Elimination of inter-segment payables	<u>(19,071)</u>	<u>(19,127)</u>
	213,535	205,037
Current tax payable	8,084	16,063
Deferred tax liabilities	247	248
Unallocated corporate liabilities	<u>4,294</u>	<u>4,716</u>
Consolidated total liabilities	<u>226,160</u>	<u>226,064</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, 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	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	94,526	100,793	32,310	79,523
North America	670,734	817,822	5	7
United Kingdom	290,981	393,764	25,875	15,370
Europe (excluding United Kingdom)	180,290	178,730	13,255	8,722
Asia (excluding Mainland China and Hong Kong)	95,167	76,359	-	-
Mainland China	9,472	8,834	166,500	166,211
Others	58,412	47,223	-	-
	1,305,056	1,522,732	205,635	190,310
	1,399,582	1,623,525	237,945	269,833

5. Impairment losses

(a) Impairment losses on property, plant and equipment

During the year ended 31 March 2012, 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\$832,000 (2011: HK\$1,237,000). 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.

(b) Impairment losses on intangible assets

During the year ended 31 March 2012, the directors carried out an assessment of the recoverable amount of the club memberships and licences. Based on their review, no impairment losses on club membership (2011: \$Nil) and no reversal of impairment (2011: an impairment of HK\$1,697,000) on licences were recognised during the year. The estimates of the recoverable amount of club memberships were based on recent observable market prices, while the estimates of recoverable amount of licences were based on the value in use 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):

	2012 HK\$'000	2011 HK\$'000
Depreciation	27,747	29,513
Amortisation of land lease premium	343	333
Amortisation of intangible assets	-	3,436
Loss on disposal of investment properties	734	-
(Gain)/loss on disposal of property, plant and equipment	(1,322)	1,022
Net realised and unrealised losses/(gains) on trading securities	12,908	(6,055)
Interest income from		
- trading securities	(2,830)	(2,816)
- deposits with banks	(1,400)	(949)
Gain on disposal of investment in a jointly controlled entity	(1,233)	-
Rental income	(3,089)	(3,751)
Dividend income from listed securities	(2,396)	(1,733)
Impairment loss recognised on trade debtors	1,036	87
Share of jointly controlled entities' taxation	-	127

7. Income tax

	2012 HK\$'000	2011 HK\$'000
Hong Kong Profits Tax	16,816	22,723
Taxation outside Hong Kong	(454)	893
Deferred tax	(676)	(1,358)
	<u>15,686</u>	<u>22,258</u>

The provision for Hong Kong Profits Tax for 2012 is calculated at 16.5% (2011: 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

	2012 HK\$'000	2011 HK\$'000
Interim dividend declared and paid of HK3 cents (2011 : HK3 cents) per share	18,075	18,075
Final dividend proposed after the balance sheet date of HK6 cents (2011 : HK6 cents) per share	<u>36,149</u>	<u>36,149</u>
	<u>54,224</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\$21,967,000 (2011: HK\$111,215,000) and the weighted average number of shares of 602,491,000 (2011: 602,491,000) in issue during the year.

There were no dilutive potential shares in existence during the years ended 31 March 2011 and 2012, 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 (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 31 March 2012 HK\$'000	At 31 March 2011 HK\$'000
Current	126,299	115,361
Less than 1 month past due	26,951	17,821
1 to 3 months past due	12,401	11,813
More than 3 months but less than 12 months past due	1,449	2,804
Trade debtors and bills receivable	167,100	147,799
Deposits, prepayments and other receivables	47,896	35,752
Derivative financial instruments	-	157
	<u>214,996</u>	<u>183,708</u>

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

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:

	At 31 March 2012 HK\$'000	At 31 March 2011 HK\$'000
By date of invoice		
Within 1 month	49,129	46,375
Over 1 month but within 3 months	11,492	4,828
Over 3 months	444	1,517
Trade creditors and bills payable	61,065	52,720
Accruals and other payables	153,107	154,026
	<u>214,172</u>	<u>206,746</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.

REVIEW OF OPERATIONS

The turnover of the Group for the year ended 31 March 2012 was HK\$1,400 million which was HK\$224 million or 14% down from the previous year. The decrease in the Group's turnover was mainly due to the weak market conditions resulting from the global economic uncertainty. The net profit attributable to the equity shareholders of the Company was HK\$22 million, representing a decline of 80% from the profit of HK\$111 million last year. Detailed analysis of the operating results is set out in the following paragraphs.

Toys Division

The trading environment in the toy industry has been difficult and the market depressed. Both sales volume and profit margin of the Toys Division dropped significantly amid severe competition among the toy manufacturers and rising costs of production. The turnover for the year was down by 16% to HK\$640 million and the operating profit of HK\$26 million represents a decrease of HK\$46 million or 64% as compared to last year.

Computer Products Division

The Computer Products Division continued to record encouraging results. Although the turnover decreased by HK\$30 million or 9% to HK\$297 million, the operating profit increased to HK\$53 million from HK\$49 million last year. The increased profitability was principally attributable to increased production efficiency.

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\$130 million, was down by HK\$25 million or 16% from last year. The Division sustained an operating loss of HK\$29 million compared to a loss of HK\$11 million in the previous year.

As mentioned in the interim report, Herald Metal Products Company Limited, a 56.67% subsidiary of the Division, has been put into liquidation as the escalating costs of operation in Shanghai became prohibitive for the business to continue. The Division recorded a loss of \$5.5 million in connection with the liquidation. The Division will now move all manufacturing activities to its existing facilities in Zhuhai.

Furthermore, as part of the reorganization, the Division also disposed of its entire 40% interest in Ningbo Herald Metal Products Company Limited in December 2011, giving rise to a gain of HK\$1.2 million.

Timepieces Division

The performance of the Timepieces Division showed some improvement over the previous year. Although sales for the year were down by HK\$42 million or 11% to HK\$331 million, the operating loss has shrunk to HK\$4 million from HK\$11 million a year earlier. The improvement has been achieved by the Division's efforts in developing new markets and expanding its client base.

Other Investments

The Group recorded a small gain of HK\$0.6 million (2011: HK\$22 million) on the revaluation of the investment properties for the year ended 31 March 2012. However, net realised and unrealised losses amounting to HK\$13 million (2011: gains of HK\$6 million) were incurred on trading securities. The dividend and interest income on trading securities for the year amounted to HK\$5 million (2011: HK\$5 million). As at 31 March 2012, the Group's trading securities amounted to HK\$162 million, an increase of HK\$6 million over last year.

In April 2012, the Group acquired a property at Wong Chuk Hang at a consideration of HK\$36 million for use by the Computer Products Division. The purchase which will be financed by internal funding and bank borrowings is due to be completed in July 2012.

FINANCIAL POSITION

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 2012, the Group had total assets of HK\$1,134 million (2011: HK\$1,168 million) which were financed by current liabilities of HK\$222 million (2011: HK\$223 million), non-current liabilities of HK\$4 million (2011: HK\$3 million), non-controlling interests of HK\$18 million (2011: HK\$24 million) and equity attributable to the Company's equity shareholders of HK\$890 million (2011: HK\$918 million).

As at 31 March 2012, the Group's cash balances aggregated to HK\$279 million, down from HK\$349 million a year ago. The Group's current assets as at 31 March 2012 amounted to HK\$875 million compared to HK\$883 million as at 31 March 2011. The inventories increased to HK\$216 million from HK\$189 million while the trade and other receivables increased to HK\$215 million from HK\$184 million. The trading securities as at 31 March 2012 amounted to HK\$162 million (2011: HK\$156 million).

The Group's current liabilities decreased to HK\$222 million from HK\$223 million at 31 March 2012. As in the previous year, the Group had no bank borrowings or any long-term borrowings at 31 March 2012. Certain trading securities and bank deposits amounting to HK\$179 million (2011: HK\$187 million) are pledged to banks to secure banking facilities granted to the Group. As at 31 March 2012, the working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 3.94 as compared to 3.96 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 1.84 from 2.01 in the last year.

CONTINGENT LIABILITIES

As at 31 March 2012, 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.

PROSPECT AND GENERAL OUTLOOK

The Toys Division will continue to experience the pressure of a competitive trading environment and tight profit margin. Nevertheless, it is hoped that the Division's performance will sustain in the year ending 31 March 2013. On the other hand, the Computer Products Division remains optimistic about the prospect of the thin-film computer heads although the smart thermostats may struggle to do well as the market may not recover in the year ending 31 March 2013. The Housewares Division will experience similar difficulties as the Toys Division in terms of trading conditions and profit margin. However, it is anticipated that following the reorganization, the loss will be reduced in the current financial year. Meanwhile, the Timepieces Division, which has successfully introduced new brands to the markets and expanded customer base, is well positioned to record improved results notwithstanding the fact that the United Kingdom which is one of the major markets has gone into recession.

As the global market has not fully recovered, the year ending 31 March 2013 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. Management is confident that the Group's core business activities will be profitable in the year ending 31 March 2013.

DIVIDEND

At the forthcoming Annual General Meeting to be held on 3 September 2012, the Directors will recommend a final dividend of HK6 cents (2011: HK6 cents) per share. Together with the interim dividend of HK3 cents (2011: HK3 cents), the dividend for the year of HK9 cents (2011: HK9 cents) would represent an annual return of 8.7% (2011: 7.7%) on the Company's average share price of HK\$1.03 (2011: HK\$1.17) in the year ended 31 March 2012.

The final dividend will amount to HK\$36,149,000 and is calculated based on the total number of shares in issue as at 28 June 2012, being the latest practicable date prior to the announcement of the results.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting is scheduled on Monday, 3 September 2012. 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, 31 August 2012 to Monday, 3 September 2012, 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, Hong Kong for registration no later than 4.30 p.m. on Thursday, 30 August 2012.

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 Monday, 10 September 2012. For determining the entitlement to the proposed final dividend, the register of the members of the Company will be closed from Friday, 7 September 2012 to Monday, 10 September 2012, 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 Thursday, 6 September 2012. The payment of final dividend, if approved at the Annual General Meeting, will be made on Friday, 28 September 2012.

EMPLOYEES

As at 31 March 2012, the number of employees of the Group was approximately 252 in Hong Kong, 7,404 in Mainland China and 108 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\$416,026,000 (2011: HK\$429,720,000).

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 2012.

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. Tai Chong David 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 Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2012 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) and the Company’s website (www.heraldgroup.com.hk). The 2012 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, 29 June 2012

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, Mr. Chang Dong Song as non-executive director 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*