



HERALD HOLDINGS LIMITED

興利集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 00114)

Press Release

Annual Results Announcement for the year ended 31 March 2009

The Board of Directors 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 2009, together with the comparative figures for the previous year, as follows:

Consolidated income statement

For the year ended 31 March 2009

	2009 HK\$'000	2008 HK\$'000
Turnover	1,640,914	1,554,006
Cost of sales	<u>(1,227,104)</u>	<u>(1,181,352)</u>
Gross profit	413,810	372,654
Other revenue	21,905	26,494
Other net loss	(66,076)	(395)
Selling expenses	(45,738)	(50,826)
Administrative expenses	(232,666)	(217,500)
Valuation (losses)/gains on investment properties	(4,240)	13,040
Impairment losses on property, plant and Equipment	(5,624)	-
(Impairment losses)/write back of impairment losses on club membership	<u>(130)</u>	<u>170</u>
Profit from operations	81,241	143,637
Finance costs	(61)	(123)
Share of profit of jointly controlled entity	<u>323</u>	<u>425</u>
Profit before taxation	81,503	143,939
Income tax	<u>(33,706)</u>	<u>(25,811)</u>
Profit for the year	<u>47,797</u>	<u>118,128</u>
Attributable to:		
Equity shareholders of the Company	51,736	117,946
Minority interests	<u>(3,939)</u>	<u>182</u>
Profit for the year	<u>47,797</u>	<u>118,128</u>
Dividends payable to equity shareholders of the Company attributable to the year	<u>48,277</u>	<u>48,564</u>
Earnings per share		
- Basic and diluted	<u>8.54 cents</u>	<u>19.41 cents</u>

Consolidated Balance Sheet
At 31 March 2009

	2009 HK\$'000	2008 HK\$'000
Non-current assets		
Fixed assets		
- Property, plant and equipment	194,837	187,984
- Investment properties	30,700	34,940
- Interests in leasehold land held for own use under operating leases	5,702	6,007
	<u>231,239</u>	<u>228,931</u>
Club membership	1,860	1,990
Interest in jointly controlled entity	2,398	2,345
Other financial assets	4,680	4,680
Deferred tax assets	6,895	4,879
	<u>247,072</u>	<u>242,825</u>
Current assets		
Trading securities	61,703	68,929
Inventories	187,119	173,443
Trade and other receivables	150,328	204,247
Current tax recoverable	1,564	1,444
Pledged bank balances	81,394	107,220
Cash and cash equivalents	244,271	191,774
	<u>726,379</u>	<u>747,057</u>
Current liabilities		
Trade and other payables	179,094	183,787
Current tax payable	19,025	10,331
	<u>198,119</u>	<u>194,118</u>
Net current assets	<u>528,260</u>	<u>552,939</u>
Total assets less current liabilities	<u>775,332</u>	<u>795,764</u>
Non-current liabilities		
Deferred tax liabilities	515	386
Provision for long service payments	4,035	2,528
	<u>4,550</u>	<u>2,914</u>
NET ASSETS	<u>770,782</u>	<u>792,850</u>
CAPITAL AND RESERVES		
Share capital	46,994	47,349
Reserves	702,068	716,391
Total equity attributable to equity shareholders of the Company	<u>749,062</u>	<u>763,740</u>
Minority interests	<u>21,720</u>	<u>29,110</u>
TOTAL EQUITY	<u>770,782</u>	<u>792,850</u>

REVIEW OF OPERATIONS

The turnover of the Group for the year ended 31 March 2009 was HK\$1,641 million which was HK\$87 million or 6% more than the turnover of HK\$1,554 million in the previous year. The increase in the Group's turnover mainly came from the Toy and Gift Division. The net profit attributable to the equity shareholders of the Company was HK\$51.7 million, representing a decrease of 56.1% from the net profit of HK\$117.9 million in the previous year.

The net profit for the year included valuation losses of HK\$4.2 million (2008: gains of HK\$13.0 million) on investment properties. Excluding this item, the adjusted net profit of the Group for the year under review was HK\$55.9 million, down 46.7% from the adjusted profit of HK\$104.9 million in the prior year.

Toy and Gift Division

The Toy and Gift Division finished the financial year with a very satisfactory result. Bolstered by the strong sales of toys related to a popular movie and other toy products, the turnover of the division for the year ended 31 March 2009 increased 21% or HK\$183 million to HK\$1,045 million from HK\$862 million a year earlier. As the pressure of rising material and labour costs which had affected the division for years eased off in the second half of the financial year, the gross profit margin of the division improved. Together with a larger volume of sales, the operating profit of the division for the financial year increased by HK\$71.5 million or 133.9% from HK\$53.4 million to HK\$124.9 million. In October 2008, the division completed the construction of a factory building and a dormitory building in Dongguan at a cost of HK\$6.8 million. The new factory building has a total floor area of approximately 4,000 square meters, which has boosted the production capacity of the division.

Timepiece Division

The business of the Timepiece Division was badly hit by the global economic turmoil in the second half of the financial year. The division saw its sales in the UK, a major market for the division, drop by 21% year-on-year. Nevertheless, the division performed well in the United States because of a substantial growth of business with a customer there. For the year ended 31 March 2009, the turnover of the division dropped 20% to HK\$256 million from HK\$319 million in the prior year. Due to decreased turnover and a weak pound sterling, the operating profit of the division for the same period decreased by 47.8% to HK\$22.4 million from HK\$42.9 million a year earlier.

Computer Head Division

During the year under review, the sales of thin-film computer heads increased by 7% to HK\$134 million from HK\$125 million in the previous year. However, a major customer substantially cut back its orders of thin-film computer heads in the last quarter of the financial year due to the uncertain market environment. On the other hand, the sales of motor actuator assemblies for the financial year jumped 178% year-on-year to HK\$29 million. Compared to last year, the division's turnover increased by 10% from HK\$166 million to HK\$182 million, whereas its operating profit decreased by 43% from HK\$18.7 million to HK\$10.6 million. The decrease in the operating profit was mainly attributable to price reductions of its major products. The division completed the first phase of relocation to the newly acquired premises in Nan Pin, Zhuhai and plans to move more production facilities to the new premises in 2009.

Houseware Division

The turnover of the Houseware division for the financial year fell 22% year-on-year to HK\$147 million from HK\$189 million. In November 2008, a major customer went into administration in the UK. The total amount of bad debts and inventories written off for this customer was approximately HK\$8.9 million. Apart from the loss of business from the above-mentioned customer, the division's operation in the UK was affected by the switch of some retailers to buying cookware directly from overseas markets. Furthermore, the division suffered exchange losses of HK\$7.7 million from the devaluation of pound sterling. In comparison with an operating profit of HK\$2.5 million in the previous year, the division had an operating loss of HK\$24.5 million for the year ended 31 March 2009.

Investment Income

Due to the deterioration of the global investment market, the group had net realised and unrealised losses on trading securities of HK\$40.3 million (2008: HK\$1.5 million) during the year under review. The dividend income and interest income on trading securities for the same period amounted to HK\$4.6 million (2008: HK\$7.3 million). Compared to last year, the group's trading securities at 31 March 2009 decreased by HK\$7.2 million from HK\$68.9 million to HK\$61.7 million.

FINANCIAL POSITION

The Group has maintained its sound financial position. At the end of the financial year, the Group had a strong balance sheet with a healthy liquidity position. As at 31 March 2009, the Group had total assets of HK\$973 million (2008: HK\$990 million) which were financed by current liabilities of HK\$198 million (2008: HK\$194 million), non-current liabilities of HK\$4 million (2008: HK\$3 million), minority interests of HK\$22 million (2008: HK\$29 million) and equity attributable to the company's equity shareholders of HK\$749 million (2008: HK\$764 million).

At 31 March 2009, the Group's cash balances aggregated to HK\$326 million which increased from HK\$299 million in last year's balance sheet. The Group's current assets position as at 31 March 2009 was HK\$726 million compared to HK\$747 million as at 31 March 2008. The inventories increased to HK\$187 million from HK\$173 million while the trade and other receivables decreased to HK\$150 million from HK\$204 million. During the year, the Group acquired certain listed equity securities, managed funds and debt securities, unlisted equity/currency linked notes and paper gold which are held for trading. The Group's trading financial assets as at 31 March 2009 amounted to HK\$62 million (2008: HK\$69 million).

The Group's current liabilities increased from HK\$194 million to HK\$198 million. Like last year, the Group had no bank borrowings at 31 March 2009. Furthermore, the Group has no long-term borrowings. Trading financial assets and bank deposits of HK\$138 million (2008: HK\$176 million) are pledged to banks to secure banking facilities granted to a subsidiary of the Company. As at 31 March 2009, the working capital ratio, an indicator of a company's liquidity represented by a ratio between the current assets over the current liabilities, was 3.67 compared to 3.85 last year. The quick ratio, another ratio that gauges the short-term liquidity of a company measured by trade debtors and cash and cash equivalents over the current liabilities, increased to 1.83 from 1.80.

PROSPECT AND GENERAL OUTLOOK

The global move to increase public spending and cut interest rates seems to be having a positive effect on the world economy. There are encouraging signs to indicate that the economy is approaching bottom. Despite the uncertain economic environment, the management is confident that the Group will weather the market difficulties in 2009.

As indicated by the strong orders on hand, the business of the Toy and Gift Division will remain robust in the first half of the new financial year. However, price pressure and stiff competition in the toy industry will likely erode the profit margin of the division. The business prospects of the Computer Head Division are positive. The sales orders of thin-film computer heads are picking up from July 2009, which will push up the division's sales in the new financial year. On the other hand, the business environment remains difficult for the Timepiece Division and the Houseware Division. Both divisions are exploring opportunities to increase revenue and implementing measures to cut costs.

DIVIDENDS

At the forthcoming Annual General Meeting to be held on 18 September 2009, the Directors will recommend a final dividend of HK5 cents per share (2008: HK5 cents). Together with the interim dividend of HK3 cents (2008: HK3 cents), the dividend for the year of HK8 cents (2008: HK8 cents) would represent an annual return of 10.8% (2008: 8.1%) on the Company's average share price of HK74 cents (2008: HK99 cents) in the year ended 31 March 2009.

The total final dividend will amount to HK\$30,125,000 and is calculated based on the total number of shares in issue as at 9 July 2009 being the latest practicable date prior to the announcement of the results. Dividend will be payable on 30 September 2009 to shareholders registered in the Register of Members on 18 September 2009.

REGISTER OF MEMBERS

The Register of Members will be closed from 16 September 2009 to 18 September 2009, both days inclusive, during which period no transfer of shares will be effected. Shareholders should ensure that all transfers accompanied by relevant share certificates are lodged with the Company's Registrars, Tricor Tengis Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 15 September 2009 in order that they may receive their dividend entitlement.

Herald Holdings Limited
Hong Kong, 10 July 2009

Contact Person :	Mr Robert Dorfman	2522 6181
	Mr Michael Thong	2726 8111
	Mr Peter Shum	2726 8111

**For identification only*