



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 2010

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 2010, together with the comparative figures for the previous year, as follows:

Consolidated income statement

For the year ended 31 March 2010

	2010 HK\$'000	2009 HK\$'000
Turnover	1,465,997	1,640,914
Cost of sales	<u>(1,070,762)</u>	<u>(1,227,104)</u>
Gross profit	395,235	413,810
Other revenue	18,141	21,905
Other net income/(loss)	28,393	(66,076)
Selling expenses	(38,888)	(45,738)
Administrative expenses	(226,222)	(232,666)
Valuation gains/(losses) on investment properties	3,060	(4,240)
Impairment losses on property, plant and equipment	(1,378)	(5,624)
Impairment losses on intangible assets	<u>-</u>	<u>(130)</u>
Profit from operations	178,341	81,241
Finance costs	(23)	(61)
Share of profit less loss of associate	904	-
Share of profits of jointly controlled entities	<u>765</u>	<u>323</u>
Profit before taxation	179,987	81,503
Income tax	<u>(30,987)</u>	<u>(33,706)</u>
Profit for the year	<u>149,000</u>	<u>47,797</u>

Attributable to:

Equity shareholders of the Company

147,110

51,736

Minority interests

1,890

(3,939)

Profit for the year**149,000**

47,797

Earnings per share

Basic and diluted

24.42 cents

8.54 cents

Consolidated statement of comprehensive income
For the year ended 31 March 2010

	2010 HK\$'000	2009 HK\$'000
Profit for the year	149,000	47,797
Other comprehensive income for the year		
Exchange differences on translation of the financial statements of overseas subsidiaries (no tax effect)	<u>5,939</u>	<u>(16,905)</u>
Total comprehensive income for the year	<u>154,939</u>	<u>30,892</u>
Attributable to:		
Equity shareholders of the Company	153,013	34,358
Minority interests	<u>1,926</u>	<u>(3,466)</u>
Total comprehensive income for the year	<u>154,939</u>	<u>30,892</u>

Consolidated balance sheet
At 31 March 2010

	2010 HK\$'000	2009 HK\$'000
Non-current assets		
Fixed assets		
- Property, plant and equipment	200,548	194,837
- Investment properties	33,760	30,700
- Interests in leasehold land held for own use under operating leases	<u>5,376</u>	<u>5,702</u>
	239,684	231,239
Intangible assets	6,861	1,860
Interest in associate	2,629	-
Interest in jointly controlled entities	5,405	2,398
Other financial assets	4,680	4,680
Deferred tax assets	<u>8,815</u>	<u>6,895</u>
	<u>268,074</u>	<u>247,072</u>
Current assets		
Trading securities	116,480	61,703
Inventories	159,193	187,119
Trade and other receivables	167,238	150,328
Current tax recoverable	2,760	1,564
Pledged bank balances	57,015	81,394
Cash and cash equivalents	<u>311,745</u>	<u>244,271</u>
	<u>814,431</u>	<u>726,379</u>
Current liabilities		
Trade and other payables	183,579	179,094
Current tax payable	<u>18,278</u>	<u>19,025</u>
	<u>201,857</u>	<u>198,119</u>
Net current assets	<u>612,574</u>	<u>528,260</u>
Total assets less current liabilities	<u>880,648</u>	<u>775,332</u>
Non-current liabilities		
Deferred tax liabilities	333	515
Provision for long service payment	<u>3,362</u>	<u>4,035</u>
	<u>3,695</u>	<u>4,550</u>
NET ASSETS	<u>876,953</u>	<u>770,782</u>
CAPITAL AND RESERVES		
Share capital	46,994	46,994
Reserves	<u>806,881</u>	<u>702,068</u>
Total equity attributable to equity shareholders of the Company	853,875	749,062
Minority interests	<u>23,078</u>	<u>21,720</u>
TOTAL EQUITY	<u>876,953</u>	<u>770,782</u>

REVIEW OF OPERATIONS

The turnover of the Group for the year ended 31 March 2010 was HK\$1,466 million which was HK\$175 million or 11% lower than that in the previous year. The decrease in the Group's turnover mainly came from the Toys and the Timepieces Divisions. The net profit attributable to the equity shareholders of the Company was HK\$147 million, representing an increase of 183% over the profit of HK\$52 million in the previous year. Detailed analysis of the operating results is set out in the following paragraphs.

Toys Division

Despite a drop in the turnover of the Toys Division by HK\$158 million or 17% to HK\$747 million, the operating profit for the year ended 31 March 2010 of HK\$141 million increased by HK\$24 million or 21% as compared to last year. The improved profitability was brought about by a general reduction in material prices which improved the gross profit margin as well as a more stable supply of electricity and labour in the PRC which increased the production efficiency. During the year, the division has successfully transferred its contract processing factory in Dongguan, PRC to a Wholly-owned Foreign Investment Enterprise – “Dongguan Herald Toys Co., Ltd.”, which is in line with the PRC government's policy of encouraging foreign investors to transform and upgrade their processing operations in the PRC.

Computer Products Division

The Computer Products Division recorded a satisfactory result for the year under review. The turnover was up by HK\$51 million or 28% over last year to HK\$232 million and the operating profit by HK\$13 million or 118% to HK\$24 million mainly due to an increase in the sales of the thin-film computer heads by HK\$38 million or 28% to HK\$172 million as compared to the previous year. The encouraging result is also attributable to the improved efficiency following the relocation of the production facilities to the new factory premises in Nan Pin, Zhuhai.

Housewares Division

The Housewares Division's performance had a significant improvement over the previous year. With turnover increasing by HK\$31 million or 21% to HK\$178 million, the division turned from a loss of HK\$25 million to a profit of HK\$11 million in the year ended 31 March 2010.

Timepieces Division

The business of the Timepieces Division continued to experience a tough trading environment caused by the economic downturn in the United Kingdom, a major market of the division. Sales were down by HK\$98 million or 24% on a yearly basis to HK\$309 million and the division posted an operating loss of HK\$19 million as compared to a profit of HK\$32 million a year earlier.

Investment Income

The improvement in the global investment market enabled the Group to record net realised and unrealised gains on trading securities amounting to HK\$24 million (2009: losses of HK\$40 million). The dividend and interest income on trading securities for the year amounted to HK\$4 million (2009: HK\$5 million). As at 31 March 2010, the Group's trading securities amounted to HK\$116 million, an increase of HK\$54 million over 31 March 2009.

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 2010, the Group had total assets of HK\$1,083 million (2009: HK\$973 million) which were financed by current liabilities of HK\$202 million (2009: HK\$198 million), non-current liabilities of HK\$4 million (2009: HK\$4 million), minority interests of HK\$23 million (2009: HK\$22 million) and equity attributable to the Company's equity shareholders of HK\$854 million (2009: HK\$749 million)

As at 31 March 2010, the Group's cash balances aggregated to HK\$369 million increasing from HK\$326 million a year ago. The Group's current assets as at 31 March 2010 amounted to HK\$814 million compared to HK\$726 million as at 31 March 2009. The inventories decreased to HK\$159 million from HK\$187 million while the trade and other receivables increased to HK\$167 million from HK\$150 million. The trading financial assets as at 31 March 2010 amounted to HK\$116 million (2009: HK\$62 million).

The Group's current liabilities increased from HK\$198 million to HK\$202 million at 31 March 2010. As in the previous year, the Group had no bank borrowings or any long-term borrowings at 31 March 2010. Certain trading financial assets and bank deposits amounting to HK\$140 million (2009: HK\$138 million) are pledged to banks to secure banking facilities granted to the Group. As at 31 March 2010, the working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 4.03 as compared to 3.67 in 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, increased to 2.17 from 1.83 in the last year.

PROSPECT AND GENERAL OUTLOOK

While the Toys Division experienced a reasonable level of turnover in the first half of 2010, the rapid rise in labour costs and raw materials give us some causes for concern. Along with the stiff competition among toy makers, the division anticipates that both sales volumes and profit margin are likely to suffer in the financial year ending 31 March 2011. The business of the Computer Products Division will continue to record growth. The sales orders of the thin-film computer heads have increased and shipments of a newly-developed product, the smart thermostats, have already commenced. Meanwhile, the business of the Housewares Division remains stable although the uncertainty in aluminium prices continues to be a matter of concern for the division. On the other hand, the trading environment continues to be challenging for the Timepieces Division amid weak consumer spending. The division is working on licensing new brands to increase sales.

The management is concerned that the global economy has not fully recovered, especially in Europe. Measures have been taken to improve the efficiency of our operations, develop new markets and expand the customer base so that revenue and profitability can be sustained. Despite the uncertain economic environment, the management is confident that the Group will continue to be profitable in the financial year ending 31 March 2011.

DIVIDENDS

At the forthcoming Annual General Meeting to be held on 21 September 2010, the Directors will recommend a final dividend of HK6 cents per share (2009: HK5 cents). Together with the interim dividend of HK3 cents (2009: HK3 cents), the dividend for the year of HK9 cents (2009: HK8 cents) would represent an annual return of 10.7% (2009: 10.8%) on the Company's average share price of HK84 cents (2009: HK74 cents) in the year ended 31 March 2010.

The final dividend will amount to HK\$36,149,000 and is calculated based on the total number of shares in issue as at 30 June 2010, being the latest practicable date prior to the announcement of the results. The dividend will be payable on 30 September 2010 to shareholders registered in the Register of Members on 21 September 2010.

REGISTER OF MEMBERS

The Register of Members will be closed from 15 September 2010 to 21 September 2010, 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 Registrar, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4.00 p.m. on 14 September 2010 in order that they may receive their dividend entitlement.

Herald Holdings Limited
Hong Kong, 2 July 2010

Contact Person :	Mr. Robert Dorfman	2522 6181
	Mr. Tang King Hung	2522 6181

**For identification only*