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 2011

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 2011, together with the comparative figures for the previous year and selected explanatory information, as follows:

Consolidated income statement
For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Turnover	3 & 4	**1,623,525**	1,465,997
Cost of sales		**(1,233,584)**	(1,070,762)
Gross profit		**389,941**	395,235
Other revenue		**19,407**	18,141
Other net income		**9,317**	28,393
Selling expenses		**(38,545)**	(38,888)
Administrative expenses		**(264,424)**	(226,222)
Valuation gains on investment properties		**21,884**	3,060
Impairment losses on property, plant and equipment	5(a)	**(1,237)**	(1,378)
Impairment losses on intangible assets	5(b)	**(1,697)**	-
Profit from operations		**134,646**	178,341
Finance costs		**-**	(23)
Share of profit less loss of associate		**617**	904
Share of profits of jointly controlled entities		**95**	765
Profit before taxation	6	**135,358**	179,987
Income tax	7	**(22,258)**	(30,987)
Profit for the year		**113,100**	149,000
Attributable to:			
Equity shareholders of the Company		**111,215**	147,110
Non-controlling interests		**1,885**	1,890
Profit for the year		**113,100**	149,000
Earnings per share	9		
Basic and diluted		**18.46 cents**	24.42 cents

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 2011

	2011 **HK$'000**	2010 HK$'000
Profit for the year	**113,100**	149,000
Other comprehensive income for the year		
Exchange differences on translation of financial statements of overseas subsidiaries (no tax effect)	**7,362**	5,939
Total comprehensive income for the year	**120,462**	154,939
Attributable to:		
Equity shareholders of the Company	**118,101**	153,013
Non-controlling interests	**2,361**	1,926
Total comprehensive income for the year	**120,462**	154,939

Consolidated balance sheet
At 31 March 2011

	Note	**2011 HK$'000**	2010 HK$'000
Non-current assets			
Fixed assets			
- Property, plant and equipment		**194,887**	200,548
- Investment properties		**54,000**	33,760
- Interests in leasehold land held for own use under operating leases		**5,069**	5,376
		253,956	239,684
Intangible assets		**1,860**	6,861
Interest in associate		**3,082**	2,629
Interest in jointly controlled entities		**10,935**	5,405
Other financial assets		**4,680**	4,680
Deferred tax assets		**10,086**	8,815
		284,599	268,074
Current assets			
Trading securities		**156,242**	116,480
Inventories		**188,656**	159,193
Trade and other receivables	10	**183,708**	167,238
Current tax recoverable		**5,457**	2,760
Pledged bank balances		**49,593**	57,015
Cash and cash equivalents		**299,641**	311,745
		883,297	814,431
Current liabilities			
Trade and other payables	11	**206,746**	183,579
Current tax payable		**16,063**	18,278
		222,809	201,857
Net current assets		**660,488**	612,574
Total assets less current liabilities		**945,087**	880,648
Non-current liabilities			
Deferred tax liabilities		**248**	333
Provision for long service payment		**3,007**	3,362
		3,255	3,695
NET ASSETS		**941,832**	876,953
CAPITAL AND RESERVES			
Share capital		**46,994**	46,994
Reserves		**870,758**	806,881
Total equity attributable to equity shareholders of the Company		**917,752**	853,875
Non-controlling interests		**24,080**	23,078
TOTAL EQUITY		**941,832**	876,953

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 2011 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 disclosure 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 two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations 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:

- HKFRS 3 (revised 2008), *Business combinations*

- Amendments to HKAS 27, *Consolidated and separate financial statements*

- Improvements to HKFRSs (2009)

The developments resulted in changes in accounting policies but none of these changes in policies have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3 and HKAS 27 has not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) has had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

- The amendment introduced by the *Improvements to HKFRSs (2009)* omnibus standard in respect of HKAS 17, *Leases*, resulted in a change of classification leasehold land interests located in the Hong Kong Special Administrative Region ("HKSAR"). This has no impact to the Group as the fair values of the Group's leasehold interests in land and buildings situated in the HKSAR cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease. Accordingly, the land and buildings for own use have already been accounted for as finance leases prior to the introduction of amendments to HKAS 17.

Further details of these changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to HKAS 27, as from 1 April 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

- As a result of the amendment to HKAS 17, *Leases,* arising from the *"Improvements to HKFRSs (2009)"* omnibus standard, the Group has also re-evaluated the classification of its interests in leasehold land in the People's Republic of China ("PRC") as to whether, in the Group's judgement, the lease transfers substantially all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate as the leases do not transfer substantially all the risks and rewards of ownership of the land to the Group.

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 early.

Early adoption of the amendments to HKAS 12, Income taxes

The change in policy arising from the amendments to HKAS 12 is the only change which has had a material impact on the current period. As a result of this change in policy, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the balance sheet date. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset's value through use.

In prior years, the Group did not recognise deferred tax liability in respect of its investment properties as the directors were in the opinion that the impact of it was immaterial to the financial statements. The early adoption of the amendments to HKAS 12 therefore has no impact on the comparative period.

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 (2010: two) customers with whom transactions have exceeded 10% of the Group's revenue. In 2011, revenue from sales of toys and computer products to these customers amounted to approximately HK$568,886,000 (2010: HK$600,974,000) and HK$196,946,000 (2010: HK$171,926,000) 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) Segments 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 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 2011 and 2010 is set out below:

	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**
Interest expense	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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**

	2010						
	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	747,082	232,139	178,046	308,730	-	-	1,465,997
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	747,082	232,139	178,046	308,730	-	-	1,465,997
Reportable segment profit/(loss)	141,081	23,891	10,595	(19,494)	27,937	6,049	190,059
Interest income	215	10	73	66	2,422	-	2,786
Interest expense	-	-	-	(23)	-	-	(23)
Depreciation and amortisation for the year	(15,202)	(9,789)	(2,279)	(2,937)	(80)	(971)	(31,258)
Impairment losses on property, plant and equipment	-	-	(545)	(833)	-	-	(1,378)
Impairment losses on intangible assets	-	-	-	-	-	-	-
Reportable segment assets	330,538	170,793	121,577	162,380	173,495	48,050	1,006,833
Additions to non-current segment assets during the year	12,111	20,836	1,809	12,255	9	-	47,020
Reportable segment liabilities	96,680	39,541	32,515	32,743	-	301	201,780

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

Profit	2011 HK$'000	2010 HK$'000
Reportable segment profit	**133,937**	190,059
Finance costs	**-**	(23)
Share of profit less loss of associate	**617**	904
Share of profits of jointly controlled entities	**95**	765
Unallocated corporate income and expenses	**709**	(11,718)
Consolidated profit before taxation	**135,358**	179,987

Assets	2011 HK$'000	2010 HK$'000
Reportable segment assets	**1,116,741**	1,006,833
Elimination of inter-segment receivables	**(19,127)**	(19,416)
	1,097,614	987,417
Interest in jointly controlled entities	**10,935**	5,405
Interest in associate	**3,082**	2,629
Deferred tax assets	**10,086**	8,815
Current tax recoverable	**5,457**	2,760
Unallocated corporate assets	**40,722**	75,479
Consolidated total assets	**1,167,896**	1,082,505

Liabilities	2011 HK$'000	2010 HK$'000
Reportable segment liabilities	**224,164**	201,780
Elimination of inter-segment payables	**(19,127)**	(19,416)
	205,037	182,364
Current tax payable	**16,063**	18,278
Deferred tax liabilities	**248**	333
Unallocated corporate liabilities	**4,716**	4,577
Consolidated total liabilities	**226,064**	205,552

(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 associate and jointly controlled entities ("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 goodwill, and the location of operations, in the case of interests in associate and jointly controlled entities.

	Revenue from external customers		**Specified non-current assets**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**100,793**	83,599	**79,523**	59,804
North America	**817,822**	815,951	**7**	9
United Kingdom	**393,764**	323,796	**15,370**	18,914
Europe (excluding United Kingdom)	**178,730**	137,663	**8,722**	2,808
Asia (excluding Mainland China and Hong Kong)	**76,359**	61,712	**-**	-
Mainland China	**8,834**	6,475	**166,211**	173,044
Others	**47,223**	36,801	**-**	-
	1,522,732	1,382,398	**190,310**	194,775
	1,623,525	1,465,997	**269,833**	254,579

5. Impairment losses

(a) Impairment losses on property, plant and equipment
During the year ended 31 March 2011, 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$1,237,000 (2010: HK$1,378,000). 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 2011, the directors carried out an assessment of the recoverable amount of the club memberships and licences and as a result, impairment losses of HK$1,697,000 (2010: HK$Nil) were recognised on the licences. The estimates of the recoverable amount of club memberships were based on recent observable market prices while the estimates of the 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):

	2011 HK$'000	2010 HK$'000
Interest on bank advances repayable within five years	**-**	23
Depreciation		
- assets held for use under operating leases	**-**	17
- other assets	**29,513**	30,253
Amortisation of land lease premium	**333**	328
Amortisation of intangible assets	**3,436**	939
Loss/(gain) on disposal of property, plant and equipment	**1,022**	(1,454)
Net realised and unrealised gains on trading securities	**(6,055)**	(23,518)
Interest income from		
- trading securities	**(2,816)**	(2,422)
- deposits with banks	**(949)**	(673)
Rental income	**(3,751)**	(4,113)
Dividend income from listed securities	**(1,733)**	(1,907)
Impairment loss recognised on trade debtors	**87**	795
Share of jointly controlled entities' taxation	**127**	275

7. Income tax

	2011 HK$'000	2010 HK$'000
Hong Kong Profits Tax	**22,723**	30,006
Taxation outside Hong Kong	**893**	3,054
Deferred tax	**(1,358)**	(2,073)
	22,258	30,987

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 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

	2011 HK$'000	2010 HK$'000
Interim dividend declared and paid - HK3 cents per share (2010 : HK3 cents per share)	**18,075**	18,075
Final dividend proposed after the balance sheet date - HK6 cents per share (2010 : HK6 cents per share)	**36,149**	36,149
	54,224	54,224

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$111,215,000 (2010: HK$147,110,000) and the weighted average number of shares of 602,491,000 (2010: 602,491,000) in issue during the year.

There were no dilutive potential shares in existence during the years ended 31 March 2010 and 2011, 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 2011 HK$'000	At 31 March 2010 HK$'000
Current	**115,361**	92,336
Less than 1 month past due	**17,821**	27,793
1 to 3 months past due	**11,813**	3,982
More than 3 months but less than 12 months past due	**2,804**	1,337
Trade debtors and bills receivable	**147,799**	125,448
Deposits, prepayments and other receivables	**35,752**	40,765
Derivative financial instruments	**157**	1,025
	183,708	167,238

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 2011 HK$'000	At 31 March 2010 HK$'000
By date of invoice		
Within 1 month	**46,375**	44,709
Over 1 month but within 3 months	**4,828**	6,335
Over 3 months	**1,517**	1,913
Trade creditors and bills payable	**52,720**	52,957
Accruals and other payables	**154,026**	130,622
	206,746	183,579

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 2011 was HK$1,624 million which was HK$158 million or 11% higher than that in the previous year. The increase in the Group's turnover mainly came from the Computer products and the Timepieces Divisions. The net profit attributable to the equity shareholders of the Company was HK$111 million, representing a decline of 24% from the profit of HK$147 million in the previous year. Detailed analysis of the operating results is set out in the following paragraphs.

Toys Division

The turnover of the Toys Division increased by 3% over the previous year to HK$767 million and the operating profit for the year ended 31 March 2011 which amounted to HK$72 million represents a decrease of HK$69 million or 49% as compared to last year mainly because as mentioned in the interim report, the Division has lost the benefit of the savings in material costs that contributed to the exceptional performance in the first half of the previous financial year. Nevertheless, management is pleased to note that the second half of the financial year has improved over the previous corresponding period.

Computer products Division

The performance of the Computer products Division continued to be encouraging. The turnover increased by HK$95 million or 41% to HK$327 million mainly due to an increase in the sales of the thin-film computer heads and the newly-developed product, the smart thermostats which commenced at the beginning of the year under review. The operating profit was HK$49 million, compared with HK$24 million in the previous year. The increased profitability was principally attributable to the increased business volume.

Housewares Division

The Housewares Division experienced a tough trading environment with stiff competition and rising material costs. The turnover of the Division, which amounted to HK$156 million, decreased by HK$22 million or 12% from last year. The Division sustained an operating loss of HK$11 million compared to a profit of HK$11 million in the previous year.

Timepieces Division

The performance of the Timepieces Division continued to improve in the second half of the financial year as the markets continued to recover. Sales for the whole year increased by HK$65 million or 21% to HK$374 million and the operating loss has shrunk to HK$11 million from HK$19 million a year earlier.

Other Investments

The Group recorded a gain of HK$22 million (2010: HK$3 million) on revaluation of investment properties for the year ended 31 March 2011. In addition, the net realised and unrealised gains on trading securities amounted to HK$6 million (2010: HK$24 million). The dividend and interest income on trading securities for the year amounted to HK$5 million (2010: HK$4 million). As at 31 March 2011, the Group's trading securities amounted to HK$156 million, an increase of HK$40 million over 31 March 2010.

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 2011, the Group had total assets of HK$1,168 million (2010: HK$1,083 million) which were financed by current liabilities of HK$223 million (2010: HK$202 million), non-current liabilities of HK$3 million (2010: HK$4 million), non-controlling interests of HK$24 million (2010: HK$23 million) and equity attributable to the Company's equity shareholders of HK$918 million (2010: HK$854 million).

As at 31 March 2011, the Group's cash balances aggregated to HK$349 million, down from HK$369 million a year ago. The Group's current assets as at 31 March 2011 amounted to HK$883 million compared to HK$814 million as at 31 March 2010. The inventories increased to HK$189 million from HK$159 million while the trade and other receivables increased to HK$184 million from HK$167 million. The trading financial assets as at 31 March 2011 amounted to HK$156 million (2010: HK$116 million).

The Group's current liabilities increased from HK$202 million to HK$223 million at 31 March 2011. As in the previous year, the Group had no bank borrowings or any long-term borrowings at 31 March 2011. Certain trading financial assets and bank deposits amounting to HK$187 million (2010: HK$140 million) are pledged to banks to secure banking facilities granted to the Group. As at 31 March 2011, the working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 3.96 as compared to 4.03 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 2.01 from 2.17 in the last year.

CONTINGENT LIABILITIES

As at 31 March 2011 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

While the business volume of the Toys Division in the year ending 31 March 2012 may be maintained at a similar level as the year before, the profit margin will suffer from rising labour costs and material prices, and appreciation of Renminbi. On the other hand, management is hopeful about the prospects of the smart thermostats and anticipates that the Computer products Division will continue to record a satisfactory performance. However, the Housewares Division will experience similar difficulties as the Toys Division and coupled with severe competition, the division will struggle to show a profit in the financial year ending 31 March 2012. Meanwhile, the Timepieces Division, which will continue to develop and introduce new brands to the market and expand customer base, is expected to report an improved result in the financial year ending 31 March 2012.

The current financial year remains to be challenging for the Group. Management is concerned about the pressure on the profit margins brought about by the rising labour costs and material prices, and appreciation of Renminbi. However, the Group has taken measures to improve operating efficiency, develop new markets and expand its customer base to ensure that it will remain competitive. Despite the difficult trading environment, management is hopeful that the Group's overall performance will continue to be satisfactory in the year ending 31 March 2012.

DIVIDENDS

At the forthcoming Annual General Meeting to be held on Monday, 19 September 2011, the Directors will recommend a final dividend of HK6 cents (2010: HK6 cents) per share. Together with the interim dividend of HK3 cents (2010: HK3 cents), the dividend for the year of HK9 cents (2010: HK9 cents) would represent an annual return of 7.7% (2010: 10.7%) on the Company's average share price of HK$1.17 (2010: HK84 cents) in the year ended 31 March 2011.

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 2011, being the latest practicable date prior to the announcement of the results.

CLOSUSRE OF REGISTER OF MEMBERS

The Annual General Meeting is scheduled on Monday, 19 September 2011. 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, 16 September 2011 to Monday, 19 September 2011, 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, 15 September 2011.

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 on Monday, 26 September 2011. For determining the entitlement to the proposed final dividend, the register of the members of the Company will be closed from Friday, 23 September 2011 to Monday, 26 September 2011, 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, 22 September 2011. The payment of final dividend, if approved at the Annual General Meeting, will be made on Monday, 10 October 2011.

EMPLOYEES

As at 31 March 2011, the number of employees of the Group was approximately 245 in Hong Kong, 8,451 in Mainland China and 109 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$429,720,000 (2010: HK$353,745,000).

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 2011.

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 established a remuneration committee on 16 March 2005. The remuneration committee 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.

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 2011 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 2011 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 2011

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*