

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2016

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 2016, together with the comparative figures for the previous year and selected explanatory information, as follows:

Consolidated statement of profit or loss

For the year ended 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
Revenue	3 & 4	1,528,985	1,265,104
Cost of sales		<u>(1,164,142)</u>	<u>(973,082)</u>
Gross profit		364,843	292,022
Other revenue		10,460	12,169
Other net (loss)/gain		(5,263)	2,985
Selling expenses		(30,692)	(39,807)
Administrative expenses		(278,187)	(246,579)
Valuation gains on investment properties		785	940
Impairment losses on property, plant and equipment		<u>(13,916)</u>	<u>(71)</u>
Profit from operations		48,030	21,659
Finance cost	5(a)	(192)	(347)
Share of loss of an associate		<u>-</u>	<u>(311)</u>
Profit before taxation	5	47,838	21,001
Income tax	6	<u>(9,590)</u>	<u>(4,685)</u>
Profit for the year		<u>38,248</u>	<u>16,316</u>
Attributable to:			
Equity shareholders of the Company		39,024	16,222
Non-controlling interests		<u>(776)</u>	<u>94</u>
Profit for the year		<u>38,248</u>	<u>16,316</u>
Earnings per share			
Basic	8(a)	<u>HK6.48 cents</u>	HK2.69 cents
Diluted	8(b)	<u>HK6.48 cents</u>	HK2.69 cents

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

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
Profit for the year		38,248	16,316
Other comprehensive income for the year			
<i>Items that will not be reclassified to profit or loss:</i>			
Surplus on revaluation of land and buildings held for own use upon change of use to investment properties (no tax effect)		1,662	-
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong (no tax effect)		<u>(10,216)</u>	<u>(525)</u>
Total comprehensive income for the year		<u>29,694</u>	<u>15,791</u>
Attributable to:			
Equity shareholders of the Company		30,749	15,690
Non-controlling interests		<u>(1,055)</u>	<u>101</u>
Total comprehensive income for the year		<u>29,694</u>	<u>15,791</u>

Consolidated statement of financial position
At 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Investment properties		12,777	6,980
Other property, plant and equipment		268,715	267,389
Interests in leasehold land held for own use under operating leases		<u>3,933</u>	<u>4,057</u>
		285,425	278,426
Intangible assets		2,033	1,860
Interest in an associate		-	-
Interests in joint ventures		-	-
Other financial assets		11,340	18,040
Deferred tax assets		<u>21,402</u>	<u>13,037</u>
		320,200	311,363
Current assets			
Trading securities		142,704	169,990
Inventories		200,963	188,059
Trade and other receivables	9	219,145	190,142
Pledged bank balances		3,806	5,060
Cash and cash equivalents		176,042	172,171
Current tax recoverable		<u>31</u>	<u>-</u>
		742,691	725,422
Non-current assets classified as held for sale		<u>2,210</u>	<u>-</u>
		744,901	725,422
Current liabilities			
Trade and other payables	10	215,344	178,417
Bank loan		4,989	8,612
Current tax payable		<u>16,900</u>	<u>9,082</u>
		237,233	196,111
Net current assets		<u>507,668</u>	<u>529,311</u>
Total assets less current liabilities		<u>827,868</u>	<u>840,674</u>

	Note	2016 HK\$'000	2015 HK\$'000
Non-current liabilities			
Deferred tax liabilities		238	147
Provision for long service payments		<u>3,279</u>	<u>3,380</u>
		<u>3,517</u>	<u>3,527</u>
NET ASSETS		<u>824,351</u>	<u>837,147</u>
CAPITAL AND RESERVES			
Share capital		46,994	46,994
Reserves		<u>759,811</u>	<u>771,237</u>
Total equity attributable to equity shareholders of the Company		806,805	818,231
Non-controlling interests		<u>17,546</u>	<u>18,916</u>
TOTAL EQUITY		<u>824,351</u>	<u>837,147</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 2016 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.

Non-current assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell.

2. Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Annual Improvements to HKFRSs 2010-2012 Cycle

- Annual Improvements to HKFRSs 2011-2013 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain key management personnel services from management entities.

3. Revenue

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

The Group’s customer base is diversified and includes only one (2015: one) customer with whom transactions have exceeded 10% of the Group’s revenue. During the year, revenue from sales of toys to this customer amounted to approximately HK\$698,360,000 (2015: HK\$440,270,000). For both years, the sales arose mainly in the North America geographical region in which the toys division is active.

4. Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following six reportable segments. No operating segments have been aggregated to form the following reportable segments.

Toys	:	The manufacture, sale and distribution of toy products.
Computer products	:	The manufacture and sale of computer products.
Housewares	:	The manufacture, sale and distribution of housewares.
Timepieces	:	The manufacture, sale and distribution of clocks, watches, and electronic and gift products.
Investments	:	The investment in debt and equity securities, structured products and managed funds.
Others	:	The leasing of properties to generate rental income and to gain from the appreciation in the properties’ values in the long term.

(a) **Segment results, assets and liabilities**

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2016 and 2015 is set out below:

	2016						
	Toys	Computer products	Housewares	Timepieces	Investments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	908,585	226,681	129,426	264,293	-	-	1,528,985
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	908,585	226,681	129,426	264,293	-	-	1,528,985
Reportable segment profit/(loss)	52,345	13,954	(4,914)	18,342	(8,336)	(829)	70,562
Interest income	250	1,350	12	97	1,473	-	3,182
Interest expense	-	-	-	-	-	(192)	(192)
Depreciation and amortisation for the year	(14,653)	(5,306)	(2,818)	(2,390)	-	(2,328)	(27,495)
Impairment losses on property, plant and equipment	(13,916)	-	-	-	-	-	(13,916)
Reportable segment assets	376,224	195,452	111,612	149,475	146,510	47,484	1,026,757
Additions to non-current segment assets during the year	42,397	6,992	3,177	4,860	-	15	57,441
Reportable segment liabilities	140,559	26,208	33,648	32,532	-	6,357	239,304

2015

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

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

	2016 HK\$'000	2015 HK\$'000
Profit		
Reportable segment profit	70,562	40,766
Share of loss of an associate	-	(311)
Unallocated corporate expenses	<u>(22,724)</u>	<u>(19,454)</u>
Consolidated profit before taxation	<u><u>47,838</u></u>	<u><u>21,001</u></u>
Interest income		
Reportable segment interest income	3,182	2,371
Unallocated corporate interest income	<u>42</u>	<u>67</u>
Consolidated interest income	<u><u>3,224</u></u>	<u><u>2,438</u></u>
Interest expense		
Reportable segment interest expense	192	312
Unallocated corporate interest expense	<u>-</u>	<u>35</u>
Consolidated interest expense	<u><u>192</u></u>	<u><u>347</u></u>
Assets		
Reportable segment assets	1,026,757	1,004,664
Elimination of inter-segment receivables	<u>(20,276)</u>	<u>(19,306)</u>
	1,006,481	985,358
Current tax recoverable	31	-
Deferred tax assets	21,402	13,037
Unallocated corporate assets	<u>37,187</u>	<u>38,390</u>
Consolidated total assets	<u><u>1,065,101</u></u>	<u><u>1,036,785</u></u>
Liabilities		
Reportable segment liabilities	239,304	204,867
Elimination of inter-segment payables	<u>(20,276)</u>	<u>(19,306)</u>
	219,028	185,561
Current tax payable	16,900	9,082
Deferred tax liabilities	238	147
Unallocated corporate liabilities	<u>4,584</u>	<u>4,848</u>
Consolidated total liabilities	<u><u>240,750</u></u>	<u><u>199,638</u></u>

(c) **Geographical information**

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, other property, plant and equipment, interests in leasehold land held for own use under operating leases, intangible assets and interests in an associate and joint ventures ("specified non-current assets"). The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of investment properties, other property, plant and equipment and interests in leasehold land held for own use under operating leases, the location of the operation to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interests in an associate and joint ventures.

	Revenue from external customers		Specified non-current assets	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong (place of domicile)	100,605	100,505	65,663	61,659
North America	688,735	572,135	4	6
United Kingdom	272,044	245,941	25,550	23,544
Europe (excluding United Kingdom)	232,667	149,566	-	-
Asia (excluding Mainland China and Hong Kong)	65,222	67,723	-	-
Mainland China	66,442	60,841	196,241	195,077
Others	103,270	68,393	-	-
	1,428,380	1,164,599	221,795	218,627
	1,528,985	1,265,104	287,458	280,286

5. Profit before taxation

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

	2016 HK\$'000	2015 HK\$'000
(a) Finance cost		
Interest on bank loan	<u>192</u>	<u>347</u>
(b) Other items		
Depreciation	27,354	24,580
Amortisation		
- land lease premium	124	124
- intangible assets	17	-
(Gain)/loss on disposal of property, plant and equipment	(11,810)	292
Net realised and unrealised losses/(gains) on trading securities	11,416	(8,710)
Interest income from		
- deposits with banks	(420)	(721)
- trading securities	(1,473)	(1,717)
- a trade debtor	(1,331)	-
Rental income	(1,004)	(967)
Dividend income from listed securities	(1,603)	(1,735)
Impairment losses on		
- other property, plant and equipment	13,916	71
- trade debtors	15,459	373
- other financial assets	<u>6,700</u>	<u>-</u>

6. Income tax

	2016 HK\$'000	2015 HK\$'000
Hong Kong Profits Tax	14,684	6,002
Taxation outside Hong Kong	3,173	2,617
Deferred tax	<u>(8,267)</u>	<u>(3,934)</u>
	<u>9,590</u>	<u>4,685</u>

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

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

	2016 HK\$'000	2015 HK\$'000
Interim dividend declared and paid of HK3 cents (2015: HK3 cents) per share	18,075	18,075
Final dividend proposed after the end of reporting period of HK5 cents (2015: HK4 cents) per share	<u>30,125</u>	<u>24,100</u>
	<u>48,200</u>	<u>42,175</u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

8. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$39,024,000 (2015: HK\$16,222,000) and the weighted average number of shares of 602,491,000 (2015: 602,491,000) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 March 2016 is based on the profit attributable to equity shareholders of the Company of HK\$39,024,000 and the weighted average number of shares of 602,671,000, calculated as follows:

	Weighted average number of shares (diluted)	
	2016 HK\$'000	2015 HK\$'000
Weighted average number of shares at 31 March	602,491	602,491
Effect of deemed issued of shares under the Company's share option scheme for nil consideration	<u>180</u>	<u>-</u>
Weighted average number shares (diluted) at 31 March	<u>602,671</u>	<u>602,491</u>

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

9. Trade and other receivables

Included in trade and other receivables are trade debtors and bills receivable (based on the invoice date and net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period:

	At 31 March 2016 HK\$'000	At 31 March 2015 HK\$'000
Within 3 months	147,392	122,492
4 to 6 months	11,821	4,653
7 to 12 months	14,192	36,608
13 to 24 months	12,971	88
Trade debtors and bills receivable	186,376	163,841
Deposits, prepayments and other receivables	32,769	26,301
	<u>219,145</u>	<u>190,142</u>

Trade debtors and bills receivable are normally due within 90 days from the date of billing. Except for the trade debtors amounting to HK\$12,782,000 (2015: HK\$26,992,000) which are expected to be recovered after more than one year, all other trade and other receivables are expected to be recovered or recognised as expenses within one year.

10. Trade and other payables

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

	At 31 March 2016 HK\$'000	At 31 March 2015 HK\$'000
Within 1 month	42,127	33,360
Over 1 month but within 3 months	7,967	4,922
Over 3 months	1,642	3,011
Trade creditors and bills payable	51,736	41,293
Accruals and other payables	163,608	137,124
	<u>215,344</u>	<u>178,417</u>

All of the trade and other payables including receipts in advance from customers are expected to be settled or recognised as income within one year.

11. Non-adjusting events after the reporting period

Subsequent to the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 7.

BUSINESS REVIEW

The revenue of the Group for the year ended 31 March 2016 was HK\$1,529 million which was up 21% from HK\$1,265 million in the previous year. The increase in the Group's revenue mainly came from the Toys Division. The net profit attributable to the equity shareholders of the company was HK\$39.0 million, representing an increase of 141% from HK\$16.2 million a year earlier.

The net profit for the year included impairment losses on property, plant and equipment of HK\$13.9 million (2015: HK\$0.1 million) and valuation gains on investment properties of HK\$0.8 million (2015: HK\$0.9 million). Excluding these items, the adjusted net profit of the Group for the year under review was HK\$52.1 million (2015: HK\$15.4 million). Detailed analysis of the operating results is set out in the following paragraphs.

Toys Division

Bolstered by the strong sales of toys related to a popular movie, the revenue of the Toys Division for the year ended 31 March 2016 surged 61% to HK\$909 million from HK\$564 million in the previous year. Because of higher revenue, the operating profit of the division soared to HK\$52.3 million from HK\$8.7 million a year earlier. In January 2016, Herald Metal and Plastic Works Limited, the operating company of the division, was presented the "2015 Partner of the Year Award" by Hasbro Inc., a major customer of the division.

Computer Products Division

During the year under review, the sales of thin-film computer heads shrank by one-third from last year. However, the shipments of the newly-developed product, the smart connected devices, were enough to make up for the decline in the tape head business. Compared to last year, the division's revenue increased by 4% from HK\$217 million to HK\$227 million, while its operating profit grew 24% from HK\$11.3 million to HK\$14.0 million.

Housewares Division

Due to a fire accident at our Zhuhai factory in May 2015 that caused a suspension of production for five weeks, the revenue of the Housewares Division for the year ended 31 March 2016 fell 22% year-on-year from HK\$165 million to HK\$129 million. After taking into account the net loss attributable to the fire accident of approximately HK\$4.5 million, the division recorded an operating loss of HK\$4.9 million as compared with an operating profit of HK\$0.6 million last year.

Timepieces Division

The sales of the Timepieces Division were dampened by weak consumer sentiment. The division saw its revenue drop by 17% year-on-year to HK\$264 million from HK\$319 million in the previous year. Nevertheless, thanks to a net gain of HK\$13.8 million from the disposal of its properties in the United Kingdom, the division's operating profit increased to HK\$18.3 million from HK\$7.0 million a year earlier.

Other Investments

For the year ended 31 March 2016, the Group recognised net realised and unrealised losses on trading securities of HK\$11.4 million (2015: gains of HK\$8.7 million) and impairment losses on other financial assets of HK\$6.7 million (2015: nil). The dividend and interest income on trading securities amounted to HK\$3.1 million for the year (2015: HK\$3.5 million). At 31 March 2016, the Group's trading securities amounted to HK\$143 million, a decrease of HK\$27 million from last year.

On 31 March 2016 and 25 May 2016, a non-wholly owned subsidiary of the company entered into agreements to dispose of its properties in Shenzhen for approximately HK\$283 million. The details of the transactions were set out in the announcement dated 31 March 2016 and circular dated 29 April 2016 published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.heraldgroup.com.hk).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group continues to maintain its sound financial health. At the end of the financial year, the Group had a strong financial position with healthy liquidity. At 31 March 2016, the total assets amounted to HK\$1,065 million (2015: HK\$1,037 million) which were financed by current liabilities of HK\$237 million (2015: HK\$196 million) including a mortgage loan of HK\$5 million (2015: HK\$9 million), non-current liabilities of HK\$4 million (2015: HK\$4 million), non-controlling interests of HK\$18 million (2015: HK\$19 million) and equity attributable to the company's equity shareholders of HK\$807 million (2015: HK\$818 million).

At 31 March 2016, the Group's cash balances aggregated to HK\$180 million, up from HK\$177 million a year ago. The current assets at 31 March 2016 amounted to HK\$745 million (2015: HK\$725 million). The inventories increased from HK\$188 million to HK\$201 million and the trade and other receivables increased from HK\$190 million to HK\$219 million. The trading securities at 31 March 2016 amounted to HK\$143 million (2015: HK\$170 million).

At 31 March 2016, the Group's current liabilities increased to HK\$237 million from HK\$196 million last year. Certain trading securities and bank deposits amounting to HK\$128 million (2015: HK\$155 million) were pledged to banks to secure banking facilities granted to the Group.

The Group monitors its capital structure on the basis of gearing ratio, which is calculated as a percentage of total liabilities over total assets. The gearing ratio of the Group as at 31 March 2016 was 23% (2015: 19%). At 31 March 2016, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 3.14 as compared to 3.70 last year. The quick ratio, another ratio that gauges the short-term liquidity and measured by trade debtors and bills receivable and cash and cash equivalent over current liabilities, decreased to 1.53 from 1.71 in the previous year.

CONTINGENT LIABILITIES

As at 31 March 2016, 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.

PROSPECTS AND GENERAL OUTLOOK

As indicated by the current order position, the business of the Toys Division will slow down in the first half of the financial year ending 31 March 2017. Nevertheless, the division will strive to achieve cost savings through improved operating efficiency. To increase production capacity, the division has started construction of a factory building with a total floor area of approximately 150,000 square feet in Dongguan, China.

The outlook for the tape head business is not encouraging. However, it is anticipated that this slowdown will be offset by the increase in demand for both thermostats and smart connected devices.

Amid a weak retail environment, the businesses of the Housewares and Timepieces Divisions continue to be challenging. As the United Kingdom is the major market of these divisions, our gross margins might be negatively affected by weak Pound Sterling. Nonetheless, the divisions are exploring opportunities to increase revenue and implementing measures to cut costs.

We are fortunate to own two well-respected trademarks that have a global presence: “Ingersoll” for timepieces and “Chefmate” for cookware. As part of our strategic plan, we intend to actively pursue distribution of our products in the China market, utilising these two brands. We are confident that over the next few years, we should be able to build a meaningful presence for these brands in China.

Despite the uncertain economic environment, the management remains optimistic about the Group’s business prospects in the financial year ending 31 March 2017.

DIVIDEND

At the forthcoming Annual General Meeting to be held on 19 September 2016, the directors will recommend a final dividend of HK5 cents per share (2015: HK4 cents). Together with the interim dividend of HK3 cents (2015: HK3 cents), the dividend payment for the year of HK8 cents (2015: HK7 cents) would represent an annual return of 8.0% (2015: 7.4%) on the company’s average share price of HK\$1.00 (2015: HK\$0.94) in the year ended 31 March 2016.

The final dividend which will amount to HK\$30 million is calculated on the total number of shares in issue as at 28 June 2016, being the latest practicable date prior to the announcement of the results.

REGISTER OF MEMBERS

The Annual General Meeting is scheduled to be held on Monday, 19 September 2016. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the company will be closed from Wednesday, 14 September 2016 to Monday, 19 September 2016, both days inclusive, during which period no transfer of shares will be effected. In order to be able to attend and vote at the Annual General Meeting, shareholders should ensure that all transfers of shares, accompanied by the relevant share certificates, are lodged with the company’s share registrar in Hong Kong, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 13 September 2016.

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 Wednesday, 28 September 2016. For determining the entitlement to the proposed final dividend, the register of members of the company will be closed from Tuesday, 27 September 2016 to Wednesday, 28 September 2016, 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 Monday, 26 September 2016. The payment of final dividend, if approved at the Annual General Meeting, will be made on Friday, 14 October 2016.

EMPLOYEES

As at 31 March 2016, the number of employees of the Group was approximately 227 in Hong Kong, 5,116 in Mainland China and 72 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\$525,557,000 (2015: HK\$410,751,000).

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 2016.

AUDIT COMMITTEE

The audit committee reports to the Board and currently comprises three independent non-executive directors, namely Mr Ng Tze Kin, David, being the chairman, Mr Lie-A-Cheong Tai Chong, David and Mr Yeh Man Chun, Kent. The audit committee meets with Group's senior management and external auditors regularly to discuss auditing and risk management 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 Shum Kam Hung. Mr. Tang King Hung ceased to be a member of the remuneration committee and Mr. Shum Kam Hung has been appointed as a member of the remuneration committee with effect from 1 July 2015. The terms of reference of the remuneration committee have been included on the Company's website.

NOMINATION COMMITTEE

The nomination committee consists of two executive directors, namely Mr Robert Dorfman, being the chairman, and Dr Cheung Tsang Kay, Stan and three independent non-executive directors, namely Mr Lie-A-Cheong Tai Chong, David, Mr Yeh Man Chun, Kent and Mr Ng Tze Kin, David. The primary roles of the nomination committee are to determine the policy for the nomination of directors, to review the structure, size and composition of the Board and to make recommendations to the Board on the appointment or re-appointment of directors.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2016 except for the following:

The independent non-executive directors are not appointed for a specific term, which deviates from the code provision A.4.1. However, the independent non-executive directors are subject to retirement from office by rotation under the requirements of the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code.

An independent non-executive director was absent from the annual general meeting held on 16 September 2015 due to other business commitments, which deviates from the code provision A.6.7.

MODEL CODE OF SECURITIES TRANSACTIONS

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 2016 annual report containing all the information required by the Listing Rules will be dispatched to the shareholders and published on the Stock Exchange’s website and the Company’s website in due course.

By Order of the Board
Robert Dorfman
Chairman

Hong Kong, 29 June 2016

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. Robert Dorfman, Shum Kam Hung and Cheung Tsang Kay, Stan as executive directors; and Messrs. Lie-A-Cheong Tai Chong, David, Yeh Man Chun, Kent and Ng Tze Kin, David as independent non-executive directors.

**For identification only*