



# HERALD HOLDINGS LIMITED

興利集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code : 00114)

## Annual Results for the year ended 31 March 2007

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 2007, together with the comparative figures for the previous year, as follows:

### Consolidated income statement

For the year ended 31 March 2007

	Note	2007 HK\$'000	2006 HK\$'000
<b>Turnover</b>	2	<b>1,550,091</b>	1,325,686
Cost of sales		<u>(1,204,819)</u>	<u>(1,000,531)</u>
<b>Gross profit</b>		<b>345,272</b>	325,155
Other revenue		22,363	13,468
Other net income		16,313	2,212
Selling expenses		(59,301)	(57,766)
Administrative expenses		(209,003)	(189,789)
Valuation gains on investment properties		5,150	2,140
Write back of impairment losses on property, plant and equipment	3	1,630	9,294
Write back of impairment losses on club Membership		<u>160</u>	<u>60</u>
<b>Profit from operations</b>	2	<b>122,584</b>	104,774
Finance costs		(342)	(145)
Share of profit of jointly controlled entity		<u>201</u>	<u>494</u>
<b>Profit before taxation</b>	4	<b>122,443</b>	105,123
Income tax	5	<u>(13,775)</u>	<u>(14,392)</u>
<b>Profit for the year</b>		<b>108,668</b>	90,731
<b>Attributable to:</b>			
Equity shareholders of the Company		111,120	86,290
Minority interests		<u>(2,452)</u>	<u>4,441</u>
<b>Profit for the year</b>		<b>108,668</b>	90,731
<b>Dividends payable to equity shareholders of the Company attributable to the year</b>	6	<b>45,744</b>	39,906
<b>Earnings per share</b>	7		
- Basic and diluted		<b>18.14 cents</b>	14.06 cents

**Consolidated Balance Sheet**  
At 31 March 2007

	Note	2007 HK\$'000	2006 HK\$'000
<b>Non-current assets</b>			
Fixed assets			
- Property, plant and equipment		153,418	154,848
- Investment properties		21,900	16,750
- Interests in leasehold land held for own use under operating leases		6,204	6,468
		<u>181,522</u>	<u>178,066</u>
Club membership		1,820	1,660
Interest in jointly controlled entity		1,998	2,150
Other financial assets		-	2,000
Deferred tax assets		6,128	5,249
		<u>191,468</u>	<u>189,125</u>
<b>Current assets</b>			
Other financial assets		2,000	-
Trading securities		95,774	59,917
Inventories		180,629	140,459
Trade and other receivables	8	179,958	131,657
Current tax recoverable		1,566	2,932
Pledged bank balances		37,122	-
Cash and cash equivalents		203,163	239,395
		<u>700,212</u>	<u>574,360</u>
<b>Current liabilities</b>			
Trade and other payables	9	171,959	121,003
Current tax payable		7,637	2,728
		<u>179,596</u>	<u>123,731</u>
<b>Net current assets</b>		<u>520,616</u>	<u>450,629</u>
<b>Total assets less current liabilities</b>		<u>712,084</u>	<u>639,754</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		826	1,642
Provision for long service payments		2,600	2,799
		<u>3,426</u>	<u>4,441</u>
<b>NET ASSETS</b>		<u>708,658</u>	<u>635,313</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		47,392	47,886
Reserves		631,169	554,423
<b>Total equity attributable to equity shareholders of the Company</b>		<u>678,561</u>	<u>602,309</u>
<b>Minority interests</b>		<u>30,097</u>	<u>33,004</u>
<b>TOTAL EQUITY</b>		<u>708,658</u>	<u>635,313</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 2007 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 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 ("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. Segmental information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

### *Business segments*

The Group comprises the following main business segments:

Toy and gift products	:	The manufacture, sale and distribution of toy and gift products.
Computer heads	:	The manufacture and sale of computer heads.
Housewares	:	The manufacture, sale and distribution of housewares.
Timepieces	:	The manufacture, sale and distribution of clocks, watches and electronic products.
Investments	:	The investment in equity securities, structured products and managed funds.
Others	:	The leasing of properties to generate rental income and other distribution activities.

## 2007

	Toy and gift products <i>HKS'000</i>	Computer heads <i>HKS'000</i>	Housewares <i>HKS'000</i>	Timepieces <i>HKS'000</i>	Investments <i>HKS'000</i>	Others <i>HKS'000</i>	Inter- segment elimination <i>HKS'000</i>	Consolidated <i>HKS'000</i>
Revenue from external customers	829,212	156,112	210,460	333,033	-	21,274	-	1,550,091
Other revenue from external customers	2,800	46	5,192	1,099	4,121	1,867	-	15,125
Inter-segment revenue	-	-	-	-	-	2,979	(2,979)	-
Total	<u>832,012</u>	<u>156,158</u>	<u>215,652</u>	<u>334,132</u>	<u>4,121</u>	<u>26,120</u>	<u>(2,979)</u>	<u>1,565,216</u>
Segment result	35,711	14,377	(4,725)	41,239	12,760	10,331		109,693
Unallocated operating income and expenses								12,891
Profit from operations								122,584
Finance costs								(342)
Share of profit of jointly controlled entity	-	-	201	-	-	-		201
Income tax								(13,775)
Profit for the year								<u>108,668</u>
Depreciation and amortisation for the year	19,308	2,830	2,450	1,646	-	1,814		28,048
Write back of impairment losses on property, plant and equipment	-	-	836	-	-	794		1,630
Segment assets	340,309	92,410	127,197	104,566	95,774	46,226	(19,028)	787,454
Interest in jointly controlled entity	-	-	1,998	-	-	-		1,998
Unallocated assets								102,228
Total assets								<u>891,680</u>
Segment liabilities	96,324	26,413	40,995	24,042	-	1,827	(19,028)	170,573
Unallocated liabilities								12,449
Total liabilities								<u>183,022</u>
Capital expenditure incurred during the year	17,702	4,825	1,167	712	-	102		24,508

## 2006

	Toy and gift products <i>HK\$ '000</i>	Computer heads <i>HK\$ '000</i>	Housewares <i>HK\$ '000</i>	Timepieces <i>HK\$ '000</i>	Investments <i>HK\$ '000</i>	Others <i>HK\$ '000</i>	Inter- segment elimination <i>HK\$ '000</i>	Consolidated <i>HK\$ '000</i>
Revenue from external customers	647,063	158,439	239,772	249,330	-	31,082	-	1,325,686
Other revenue from external customers	2,115	-	3,822	315	1,103	646	-	8,001
Inter-segment revenue	-	-	-	-	-	2,979	(2,979)	-
Total	<u>649,178</u>	<u>158,439</u>	<u>243,594</u>	<u>249,645</u>	<u>1,103</u>	<u>34,707</u>	<u>(2,979)</u>	<u>1,333,687</u>
Segment result	28,889	25,471	12,417	21,365	2,283	10,310		100,735
Unallocated operating income and expenses								4,039
Profit from operations								104,774
Finance costs								(145)
Share of profit of jointly controlled entity	-	-	494	-	-	-		494
Income tax								(14,392)
Profit for the year								<u>90,731</u>
Depreciation and amortisation for the year	16,249	5,245	1,835	2,161	-	1,605		27,095
Write back of impairment losses on property, plant and equipment	<u>3,480</u>	<u>-</u>	<u>988</u>	<u>-</u>	<u>-</u>	<u>4,826</u>		<u>9,294</u>
Segment assets	327,362	123,172	128,041	73,060	59,917	44,369	(19,092)	736,829
Interest in jointly controlled entity	-	-	2,150	-	-	-		2,150
Unallocated assets								24,506
Total assets								<u>763,485</u>
Segment liabilities	64,756	18,646	37,411	17,080	-	2,366	(19,092)	121,167
Unallocated liabilities								7,005
Total liabilities								<u>128,172</u>
Capital expenditure incurred during the year	<u>12,579</u>	<u>4,637</u>	<u>2,757</u>	<u>1,117</u>	<u>-</u>	<u>140</u>		<u>21,230</u>

### ***Geographical segments***

The Group's business is managed on a worldwide basis, but participates mainly in three principal economic environments. North America is a major market for the toy and gift division, the computer head division and the houseware division. Europe is a major market for the timepiece division and the houseware division and to a lesser extent the toy and gift division and the computer head division. In Asia, the Group's manufacturing activities are carried out in the People's Republic of China (the "PRC").

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	2007						
	Asia			Europe		North America	Others
	Hong Kong	Mainland China	Others	United Kingdom	Others		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	68,454	7,066	47,391	590,684	122,948	667,196	46,352
Segment assets	340,998	243,192	1,960	166,642	39,574	14,116	-
Capital expenditure incurred during the year	2,516	20,240	-	1,750	-	2	-

	2006						
	Asia			Europe		North America	Others
	Hong Kong	Mainland China	Others	United Kingdom	Others		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	63,076	11,137	12,582	493,672	84,068	640,622	20,529
Segment assets	391,435	220,511	-	131,641	2,315	10,019	-
Capital expenditure incurred during the year	2,858	16,402	-	1,970	-	-	-

### **3. Write back of impairment losses on property, plant and equipment**

During the year, the directors carried out a review of the recoverable amount of the land and buildings held for own use and considered that impairment losses recognised in prior years had decreased. Based on their review, provision for impairment losses of HK\$1,630,000 (2006: HK\$9,294,000) has been written back during the year. The estimates of recoverable amount were based on fair values less costs to sell, determined with reference to valuations performed by professional surveyors.

#### 4. Profit before taxation

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

	2007 HK\$'000	2006 HK\$'000
Interest on borrowings	342	145
Depreciation		
- assets held for use under operating leases	297	310
- other assets	27,448	26,486
Amortisation of land lease premium	303	299
Loss on disposal of fixed assets		
- property, plant and equipment	856	211
- investment properties	-	(170)
Net realised and unrealised gains on trading securities	(8,639)	(1,180)
Interest income		
- trading securities	(2,353)	(706)
- deposits with banks	(7,237)	(4,364)
Rental income	(3,536)	(3,215)
Dividend income from listed securities	(1,768)	(397)
Share of jointly controlled entity's taxation	113	198

#### 5. Income tax

	2007 HK\$'000	2006 HK\$'000
Hong Kong Profits Tax	12,317	10,802
Taxation outside Hong Kong	3,242	1,976
Deferred taxation	(1,784)	1,614
	<u>13,775</u>	<u>14,392</u>

Provision for Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) 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.

#### 6. Dividends payable to equity shareholders of the Company attributable to the year

	2007 HK\$'000	2006 HK\$'000
Interim dividend declared and paid - HK3 cents per share (2006 : HK2.5 cents per share)	18,402	15,348
Final dividend proposed after the balance sheet date - HK4.5 cents per share (2006 : HK4 cents per share)	27,342	24,558
	<u>45,744</u>	<u>39,906</u>

## 7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$111,120,000 (2006: HK\$86,290,000) and the weighted average number of shares of 612,672,000 (2006: 613,926,000) in issue during the year.

There were no dilutive potential shares in existence during the years ended 31 March 2007 and 2006, therefore diluted earnings per share is the same as the basic earnings per share for both the current and prior years.

## 8. Trade and other receivables

Included in trade and other receivables are trade debtors and bills receivable (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 31 March 2007 HK\$'000	At 31 March 2006 HK\$'000
<b>By date of invoice</b>		
Within 1 month	84,731	66,721
Over 1 month but within 3 months	51,484	33,601
Over 3 months	<u>10,152</u>	<u>1,429</u>
Trade debtors and bills receivable	146,367	101,751
Deposits, prepayments and other receivables	<u>33,591</u>	<u>29,906</u>
	<u>179,958</u>	<u>131,657</u>

All of the trade and other receivables are expected to be recovered within one year.

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.

## 9. 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 2007 HK\$'000	At 31 March 2006 HK\$'000
<b>By date of invoice</b>		
Within 1 month	41,922	35,070
Over 1 month but within 3 months	22,443	9,535
Over 3 months	<u>2,194</u>	<u>689</u>
Trade creditors and bills payable	66,559	45,294
Accruals and other payables	<u>105,400</u>	<u>75,709</u>
	<u>171,959</u>	<u>121,003</u>

All of the trade and other payables are expected to be settled within one year.



## **REVIEW OF OPERATIONS**

The Group achieved favourable results in the financial year under review. The turnover of the Group for the year ended 31 March 2007 was HK\$1,550 million which was HK\$224 million or 17% above the turnover of HK\$1,326 million in the previous year. This was a record annual turnover for the Group. The net profit attributable to the equity shareholders of the company was HK\$111.1 million, representing an impressive increase of 29% from the net profit of HK\$86.3 million in the previous year.

The net profit for the year included a write-back of impairment losses on properties of HK\$1.6 million (2006: HK\$9.3 million) and revaluation gain on investment properties of HK\$5.2 million (2006: HK\$2.1 million).

### **Toy and Gift Division**

During the year under review, the turnover of the Toy and Gift Division increased by 28% or HK\$182 million from HK\$647 million to HK\$829 million. The division performed very strongly in the second half of the fiscal year and recorded a 62% or HK\$158 million increase in turnover as compared to the same half in 2006. For the whole year, the division had an operating profit of HK\$35.7 million, up 24% from the profit of HK\$28.9 million in fiscal year 2006. Despite a satisfactory improvement in the operating profit, the toy industry continued to be very tough. The gross profit margin for fiscal 2007 decreased by 2.6% as compared to fiscal 2006. As mentioned in the interim report, the increase in wages, the appreciation of Renminbi, and shortages of labour and electricity supply are the major factors that contributed to the decrease in the gross profit margin. To better serve our customers and to alleviate the pressure arising from insufficient production facilities during peak months, the division's factory in Dongguan acquired additional premises of 18,200 square meters in the fourth quarter of fiscal year 2007. This has increased the production capacity of the division by approximately 20%. By the end of fiscal year 2007, the newly installed assembly lines had commenced production.

### ***Timepiece Division***

The turnover of the Timepiece Division edged downward in the first half of fiscal 2007. As with the Toy and Gift Division, the division performed strongly in the second half. The turnover for the full year increased by 34% or HK\$84 million to HK\$333 million. Largely due to increased turnover, the division's operating profit substantially increased by 93% or HK\$19.9 million to HK\$41.2 million. The division has built the core of its business around the use of strong recognisable brands in the UK and other markets. The brands that have performed well include Ingersoll, Playboy, Bench, Skagen and Ted Baker.

### ***Computer Head Division***

The business of the Computer Head Division weakened in fiscal year 2007. Compared to last year, the division's turnover decreased slightly by 1% to HK\$156 million. The decrease was mainly due to the decline in the sales of ferrite heads to a US customer which shrank by two-thirds from last year. Starting from the second quarter of fiscal year 2007, the division started to build for an important customer motor actuator assemblies, key assemblies for thin-film tape head drives. Sales from this product, together with the increase of sales of thin-film heads mostly made up the loss of sales of ferrite heads. For the full year, the operating profit of the division declined from HK\$25.5 million to HK\$14.4 million, largely due to price reductions and increases in administrative expenses.

### ***Houseware Division***

The adverse market conditions that the Houseware Division experienced in the previous year continued to deteriorate in the year under review. The upward trend of aluminium prices continued in fiscal year 2007. Price of stainless steel surged at a more drastic pace. In comparison with the prior year, stainless steel prices by the end of March 2007 almost doubled. Due to strong competition, the division could only adjust its selling prices to recover a portion of these increased material costs. As a result, many product lines of the division became non-profitable or have very low profit margins. For the year ended 31 March 2007, the sales of the division decreased by 12% or HK\$29 million to HK\$210 million from HK\$240 million a year earlier. During the year under review, the division suffered an operating loss of HK\$4.7 million compared to an operating profit of HK\$12.4 million in the previous year.

### ***Investment Income***

During the year under review, the Group had net realised and unrealised gains on trading securities of HK\$8.6 million (2006: HK\$1.2 million) and dividend and interest income on trading securities of HK\$4.1 million (2006: HK\$1.1 million). Compared to last year, the Group's Trading Securities at 31 March 2007 increased from HK\$60 million to HK\$96 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 2007, the Group had total assets of HK\$892 million (2006: HK\$763 million) which were financed by current liabilities of HK\$180 million (2006: HK\$124 million), non-current liabilities of HK\$3 million (2006: HK\$4 million), minority interests of HK\$30 million (2006: HK\$33 million) and equity attributable to the company's equity shareholders of HK\$679 million (2006: HK\$602 million).

At 31 March 2007, the Group's cash balances aggregated to HK\$240 million which increased slightly from HK\$239 million in last year's balance sheet. The Group's current assets position as at 31 March 2007 was HK\$700 million compared to HK\$574 million as at 31 March 2006. The inventories increased to HK\$181 million from HK\$140 million and the trade and other receivables increased to HK\$180 million from HK\$132 million. The increases were mainly due to the increase of the Group's sales activities. During the year, the Group acquired certain listed equity securities, unlisted equity/currency linked notes and other equity contracts which are held for trading. The Group's trading financial assets as at 31 March 2007 amounted to HK\$96 million (2006: HK\$60 million).

The Group's current liabilities increased from HK\$124 million to HK\$180 million primarily due to increase in trade and other payables.

Like last year, the Group had no bank borrowings at 31 March 2007. Furthermore, the Group has no long-term borrowings. Trading financial assets and bank deposits of HK\$116 million (2006: HK\$37 million) are pledged to banks to secure banking facilities granted to a subsidiary of the Company. As at 31 March 2007, the working capital ratio, an indicator of a company's liquidity represented by a ratio between the current assets over the current liabilities, was 3.9 compared to 4.64 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, decreases to 1.95 from 2.76.

## **CONTINGENT LIABILITIES**

As at 31 March 2007 the Group did not have any significant contingent liabilities.

## **FOREIGN EXCHANGE EXPOSURE**

During the year under review, approximately 29% of the Group's turnover was denominated in sterling. From time to time, the Group enters forward foreign exchange contracts to hedge its foreign exchange exposure.

## **PROSPECTS AND GENERAL OUTLOOK**

The management is cautiously optimistic on the general outlook of the businesses of the Group. While the overall order positions of the Group for the first half of the new financial year remain strong, management has some concerns going forward. The reduction of the VAT rebate on goods exported from China will have some impact on margins that may not be fully recoverable from adjustments to pricing. In addition, the Pearl River Delta region in which some of our factories operate continues to experience both shortages of labour and shortages of electricity. The high cost of raw materials also remains a matter of some concern.

## **DIVIDENDS**

At the forthcoming Annual General Meeting to be held on 18 September 2007, the Directors will recommend a final dividend of HK4.5 cents per share (2006: HK4 cents). Together with the interim dividend of HK3 cents (2006: HK2.5 cents), the dividend for the year of HK7.5 cents (2006: HK6.5 cents) would represent an annual return of 10.1% on the Company's average share price of HK74 cents in the year ended 31 March 2007.

The total final dividend will amount to HK\$27,342,000 and is calculated based on the total number of shares in issue as at 12 July 2007 being the latest practicable date prior to the announcement of the results. Dividend will be payable on 28 September 2007 to shareholders registered in the Register of Members on 18 September 2007.

## **REGISTER OF MEMBERS**

The Register of Members will be closed from 13 September 2007 to 18 September 2007, 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, Tengis Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 12 September 2007 in order that they may receive their dividend entitlement.

## **EMPLOYEES**

As at 31 March 2007, the number of employees of the Group was approximately 219 in Hong Kong, 9,677 in Mainland China and 100 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\$280,821,000 (2006: HK\$235,803,000).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year, the Company repurchased a total of 6,335,000 of its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK\$4,626,050 before expenses, all of which were then cancelled. The premium paid on repurchase was charged against share premium in accordance with the Bermuda Companies Act 1981. Details of the shares repurchased are as follows:

<b>Month of repurchase</b>	<b>Number of shares repurchased</b>	<b>Highest price paid per share</b> HK\$	<b>Lowest price paid per share</b> HK\$	<b>Aggregate price paid</b> HK\$
January 2007	5,315,000	0.73	0.72	3,844,850
March 2007	<u>1,020,000</u>	0.78	0.74	<u>781,200</u>
	<u>6,335,000</u>			<u>4,626,050</u>

## **AUDIT COMMITTEE**

The audit committee reports to the board of directors and currently comprises three independent non-executive directors, namely Mr. Tang King Hung, 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. Tang King Hung, 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 2007 except that 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.

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 to 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](http://www.hkex.com.hk)) and the Company's website ([www.heraldgroup.com.hk](http://www.heraldgroup.com.hk)). The 2007 annual report containing all the information required by the Listing Rules and the notice of the Annual General Meeting 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  
**George Bloch**  
Chairman

Hong Kong, 13 July 2007

*As at the date of this announcement, the Board of Directors of the Company comprises Messrs. George Bloch, Cheung Tsang Kay, Stan, Chang Dong Song, Robert Dorfman and Thong Yeung Sum, Michael as executive directors and Messrs. Tang King Hung, David Tai Chong Lie-A-Cheong and Yeh Man Chun, Kent as independent non-executive directors.*

*\*For identification only*