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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 2010

The Board of Directors (the “Board”) of Herald Holdings Limited (the “Company”) presents the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2010, together with the comparative figures for the previous year, as follows:

Consolidated income statement

For the year ended 31 March 2010

	Note	2010 HK\$'000	2009 HK\$'000
Turnover	3 & 4	1,465,997	1,640,914
Cost of sales		<u>(1,070,762)</u>	<u>(1,227,104)</u>
Gross profit		395,235	413,810
Other revenue		18,141	21,905
Other net income/(loss)		28,393	(66,076)
Selling expenses		(38,888)	(45,738)
Administrative expenses		(226,222)	(232,666)
Valuation gains/(losses) on investment properties		3,060	(4,240)
Impairment losses on property, plant and equipment	5	(1,378)	(5,624)
Impairment losses on intangible assets		<u>-</u>	<u>(130)</u>
Profit from operations		178,341	81,241
Finance costs		(23)	(61)
Share of profit less loss of associate		904	-
Share of profits of jointly controlled entities		765	323
Profit before taxation	6	179,987	81,503
Income tax	7	(30,987)	(33,706)
Profit for the year		149,000	47,797

Attributable to:			
Equity shareholders of the Company		147,110	51,736
Minority interests		1,890	(3,939)
		<u>149,000</u>	<u>47,797</u>
Profit for the year		149,000	47,797
Earnings per share	9		
Basic and diluted		<u>24.42 cents</u>	<u>8.54 cents</u>

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 2010

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

Consolidated balance sheet
At 31 March 2010

	Note	2010 HK\$'000	2009 HK\$'000
Non-current assets			
Fixed assets			
- Property, plant and equipment		200,548	194,837
- Investment properties		33,760	30,700
- Interests in leasehold land held for own use under operating leases		<u>5,376</u>	<u>5,702</u>
		239,684	231,239
Intangible assets		6,861	1,860
Interest in associate		2,629	-
Interest in jointly controlled entities		5,405	2,398
Other financial assets		4,680	4,680
Deferred tax assets		<u>8,815</u>	<u>6,895</u>
		<u>268,074</u>	<u>247,072</u>
Current assets			
Trading securities		116,480	61,703
Inventories		159,193	187,119
Trade and other receivables	10	167,238	150,328
Current tax recoverable		2,760	1,564
Pledged bank balances		57,015	81,394
Cash and cash equivalents		<u>311,745</u>	<u>244,271</u>
		<u>814,431</u>	<u>726,379</u>
Current liabilities			
Trade and other payables	11	183,579	179,094
Current tax payable		<u>18,278</u>	<u>19,025</u>
		<u>201,857</u>	<u>198,119</u>
Net current assets		<u>612,574</u>	<u>528,260</u>
Total assets less current liabilities		<u>880,648</u>	<u>775,332</u>
Non-current liabilities			
Deferred tax liabilities		333	515
Provision for long service payment		<u>3,362</u>	<u>4,035</u>
		<u>3,695</u>	<u>4,550</u>
NET ASSETS		<u>876,953</u>	<u>770,782</u>
CAPITAL AND RESERVES			
Share capital		46,994	46,994
Reserves		<u>806,881</u>	<u>702,068</u>
Total equity attributable to equity shareholders of the Company		<u>853,875</u>	<u>749,062</u>
Minority interests		<u>23,078</u>	<u>21,720</u>
TOTAL EQUITY		<u>876,953</u>	<u>770,782</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 2010 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 ("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 one new HKFRS, a number of amendments to HKFRSs and 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 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Amendments to HKFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- Amendments to HKAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*

The impact of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management. Corresponding amounts have been provided on a basis consistent with the revised segment information.

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.
- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting 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 (2009: one) customers with whom transactions have exceeded 10% of the Group's revenue. In 2010, revenue from sales of toys and computer products to these customers amounted to approximately HK\$600,974,000 (2009: HK\$682,593,000) and HK\$171,926,000 (2009: HK\$133,777,000) 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 equity securities, structured products and managed funds.
Others	:	The leasing of properties to generate rental income.

The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments, but has not changed the measurement basis of segment results or segment assets. As compared to the segment information reported in the 2008/09 annual financial statements, the sale and distribution of gift products and other distribution activities previously classified under the "Toy and gift products" and "Others" segments have been reclassified into the "Timepieces" segment.

(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 year ended 31 March 2010 and 2009 is set out below:

2010

	Computer						
	Toys	products	Housewares	Timepieces	Investments	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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)
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

2009

	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	905,287	181,552	146,621	407,454	-	-	1,640,914
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	905,287	181,552	146,621	407,454	-	-	1,640,914
Reportable segment profit/(loss)	116,606	10,606	(24,526)	32,329	(34,829)	(354)	99,832
Interest income	268	24	263	168	3,292	-	4,015
Interest expense	-	-	-	(61)	-	-	(61)
Depreciation and amortisation for the year	(16,925)	(5,636)	(2,781)	(2,711)	(306)	(971)	(29,330)
Impairment losses on property, plant and equipment	(1,872)	-	(2,952)	(800)	-	-	(5,624)
Reportable segment assets	381,347	127,303	108,872	134,257	141,737	46,575	940,091
Additions to non-current segment assets during the year	24,706	13,229	2,129	2,323	352	-	42,739
Reportable segment liabilities	107,315	18,559	36,854	36,382	-	415	199,525

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

	2010 HK\$'000	2009 HK\$'000
Profit		
Reportable segment profit	190,059	99,832
Finance costs	(23)	(61)
Share of profits of jointly controlled entities	765	323
Share of profit less loss of associate	904	-
Unallocated corporate income and expenses	<u>(11,718)</u>	<u>(18,591)</u>
Consolidated profit before taxation	<u>179,987</u>	<u>81,503</u>
	2010 HK\$'000	2009 HK\$'000
Assets		
Reportable segment assets	1,006,833	940,091
Elimination of inter-segment receivables	<u>(19,416)</u>	<u>(19,446)</u>
	987,417	920,645
Interest in jointly controlled entities	5,405	2,398
Interest in associate	2,629	-
Deferred tax assets	8,815	6,895
Current tax recoverable	2,760	1,564
Unallocated corporate assets	<u>75,479</u>	<u>41,949</u>
Consolidated total assets	<u>1,082,505</u>	<u>973,451</u>
	2010 HK\$'000	2009 HK\$'000
Liabilities		
Reportable segment liabilities	201,780	199,525
Elimination of inter-segment payables	<u>(19,416)</u>	<u>(19,446)</u>
	182,364	180,079
Current tax payable	18,278	19,025
Deferred tax liabilities	333	515
Unallocated corporate liabilities	<u>4,577</u>	<u>3,050</u>
Consolidated total liabilities	<u>205,552</u>	<u>202,669</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 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.

	Revenues from external customer		Specified non-current assets	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Hong Kong (place of domicile)	83,599	111,272	59,804	60,201
North America	815,951	818,718	9	6
United Kingdom	323,796	432,273	21,722	7,685
Europe (excluding United Kingdom)	137,663	162,778	-	-
Asia (excluding Mainland China and Hong Kong)	61,712	46,943	-	-
Mainland China	6,475	8,104	173,044	167,605
Others	36,801	60,826	-	-
	1,382,398	1,529,642	194,775	175,296
	1,465,997	1,640,914	254,579	235,497

5. Impairment losses on property, plant and equipment

During the year ended 31 March 2010, 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\$1,378,000 (2009: HK\$5,624,000). 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.

6. Profit before taxation

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

	2010 HK\$'000	2009 HK\$'000
Interest on bank advances repayable within five years	23	61
Depreciation		
- assets held for use under operating leases	17	213
- other assets	30,253	29,070
Amortisation of land lease premium	328	328
(Gain)/loss on disposal of property, plant and equipment	(1,454)	206
Net realised and unrealised (gains)/losses on trading securities	(23,518)	40,320
Interest income from		
- trading securities	(2,422)	(2,389)
- deposits with banks	(673)	(2,062)
- loan to a director of a wholly-owned subsidiary	-	(81)
Rental income	(4,113)	(4,411)
Dividend income from		
- listed securities	(1,907)	(2,201)
- unlisted securities	-	(594)
Impairment loss recognised on trade debtors	795	7,323
Share of jointly controlled entities' taxation	275	142
	<u>275</u>	<u>142</u>

7. Income tax

	2010 HK\$'000	2009 HK\$'000
Hong Kong Profits Tax	30,006	30,885
Taxation outside Hong Kong	3,054	4,952
Deferred tax	(2,073)	(2,131)
	<u>30,987</u>	<u>33,706</u>

The provision for Hong Kong Profits Tax for 2010 is calculated at 16.5% (2009: 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

	2010 HK\$'000	2009 HK\$'000
Interim dividend declared and paid - HK3 cents per share (2009 : HK3 cents per share)	18,075	18,152
Final dividend proposed after the balance sheet date - HK6 cents per share (2009 : HK5 cents per share)	36,149	30,125
	<u>54,224</u>	<u>48,277</u>

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\$147,110,000 (2009: HK\$51,736,000) and the weighted average number of shares of 602,491,000 (2009: 605,866,000) in issue during the year.

There were no dilutive potential shares in existence during the years ended 31 March 2009 and 2010, 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 2010 HK\$'000	At 31 March 2009 HK\$'000
Current	92,336	82,747
Less than 1 month past due	27,793	28,351
1 to 3 months past due	3,982	5,879
More than 3 months but less than 12 months past due	<u>1,337</u>	<u>707</u>
Trade debtors and bills receivable	125,448	117,684
Deposits, prepayments and other receivables	40,765	30,935
Derivative financial instruments	<u>1,025</u>	<u>1,709</u>
	<u>167,238</u>	<u>150,328</u>

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 2010 HK\$'000	At 31 March 2009 HK\$'000
By date of invoice		
Within 1 month	44,709	44,606
Over 1 month but within 3 months	6,335	13,447
Over 3 months	<u>1,913</u>	<u>1,728</u>
Trade creditors and bills payable	52,957	59,781
Accruals and other payables	130,622	118,027
Derivative financial instruments	<u>-</u>	<u>1,286</u>
	<u>183,579</u>	<u>179,094</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.

12. Comparative figures

As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements*, and HKFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010.

REVIEW OF OPERATIONS

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

Toys Division

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

Computer Products Division

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

Housewares Division

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

Timepieces Division

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

Investment Income

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

FINANCIAL POSITION

The Group continues to maintain its sound financial position. At the end of the financial year, the Group had a strong balance sheet with healthy liquidity. As at 31 March 2010, the Group had total assets of HK\$1,083 million (2009: HK\$973 million) which were financed by current liabilities of HK\$202 million (2009: HK\$198 million), non-current liabilities of HK\$4 million (2009: HK\$4 million), minority interests of HK\$23 million (2009: HK\$22 million) and equity attributable to the Company's equity shareholders of HK\$854 million (2009: HK\$749 million)

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

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

CONTINGENT LIABILITIES

As at 31 March 2010 the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange 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 Toys Division experienced a reasonable level of turnover in the first half of 2010, the rapid rise in labour costs and raw materials give us some causes for concern. Along with the stiff competition among toy makers, the division anticipates that both sales volumes and profit margin are likely to suffer in the financial year ending 31 March

2011. The business of the Computer Products Division will continue to record growth. The sales orders of the thin-film computer heads have increased and shipments of a newly-developed product, the smart thermostats, have already commenced. Meanwhile, the business of the Housewares Division remains stable although the uncertainty in aluminium prices continues to be a matter of concern for the division. On the other hand, the trading environment continues to be challenging for the Timepieces Division amid weak consumer spending. The division is working on licensing new brands to increase sales.

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

DIVIDENDS

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

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

REGISTER OF MEMBERS

The Register of Members will be closed from 15 September 2010 to 21 September 2010, both days inclusive, during which period no transfer of shares will be effected. Shareholders should ensure that all transfers accompanied by relevant share certificates are lodged with the Company's Registrar, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4.00 p.m. on 14 September 2010 in order that they may receive their dividend entitlement.

EMPLOYEES

As at 31 March 2010, the number of employees of the Group was approximately 243 in Hong Kong, 7,566 in Mainland China and 111 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\$353,745,000 (2009: HK\$372,849,000).

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 2010.

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. Mr. Ng Tze Kin, David was appointed as the Chairman and a member of the Committee in place of Mr. Tang King Hung on 1 February 2010. 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. Mr. Ng Tze Kin, David was appointed as the Chairman and a member of the Committee in place of Mr. Tang King Hung on 1 February 2010. 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 2010 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 2010 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, 2 July 2010

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*