



HERALD HOLDINGS LIMITED

興利集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 00114)

PRESS RELEASE

Annual Results Announcement for the year ended 31 March 2015

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 2015, together with the comparative figures for the previous year and selected explanatory information, as follows:

Consolidated income statement

For the year ended 31 March 2015

	2015 HK\$'000	2014 HK\$'000
Turnover	1,265,104	1,339,770
Cost of sales	<u>(973,082)</u>	<u>(1,006,382)</u>
Gross profit	292,022	333,388
Other revenue	12,169	14,112
Other net gain	2,985	8,473
Selling expenses	(39,807)	(44,037)
Administrative expenses	(246,579)	(268,873)
Valuation gains on investment properties	940	210
Impairment losses on property, plant and equipment	<u>(71)</u>	<u>(496)</u>
Profit from operations	21,659	42,777
Finance cost	(347)	(385)
Share of loss of an associate	(311)	(432)
Share of profits less losses of joint ventures	<u>-</u>	<u>(225)</u>
Profit before taxation	21,001	41,735
Income tax	<u>(4,685)</u>	<u>(14,304)</u>
Profit for the year	<u>16,316</u>	<u>27,431</u>
Attributable to:		
Equity shareholders of the Company	16,222	26,474
Non-controlling interests	94	957
Profit for the year	<u>16,316</u>	<u>27,431</u>
Earnings per share		
Basic and diluted	<u>HK2.69 cents</u>	<u>HK4.39 cents</u>

Consolidated statement of comprehensive income

For the year ended 31 March 2015

	2015 HK\$'000	2014 HK\$'000
Profit for the year	16,316	27,431
Other comprehensive income for the year		
<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>(525)</u>	<u>(1,431)</u>
Total comprehensive income for the year	<u>15,791</u>	<u>26,000</u>
Attributable to:		
Equity shareholders of the Company	15,690	25,026
Non-controlling interests	<u>101</u>	<u>974</u>
Total comprehensive income for the year	<u><u>15,791</u></u>	<u><u>26,000</u></u>

Consolidated balance sheet
At 31 March 2015

	2015	2014
	HK\$'000	HK\$'000
Non-current assets		
Fixed assets		
- Property, plant and equipment	267,389	263,146
- Investment properties	6,980	6,040
- Interests in leasehold land held for own use under operating leases	4,057	4,180
	278,426	273,366
Intangible assets	1,860	1,860
Interest in an associate	-	-
Interests in joint ventures	-	-
Other financial assets	18,040	10,920
Deferred tax assets	13,037	9,217
	311,363	295,363
Current assets		
Trading securities	169,990	180,619
Inventories	188,059	209,113
Trade and other receivables	190,142	191,170
Pledged bank balances	5,060	18,017
Cash and cash equivalents	172,171	196,507
	725,422	795,426
Current liabilities		
Trade and other payables	178,417	203,738
Bank loan	8,612	12,136
Current tax payable	9,082	8,033
	196,111	223,907
Net current assets	529,311	571,519
Total assets less current liabilities	840,674	866,882

	2015	2014
	HK\$'000	HK\$'000
Non-current liabilities		
Deferred tax liabilities	147	261
Provision for long service payments	3,380	3,581
	<u>3,527</u>	<u>3,842</u>
NET ASSETS	<u>837,147</u>	<u>863,040</u>
CAPITAL AND RESERVES		
Share capital	46,994	46,994
Reserves	771,237	796,502
Total equity attributable to equity shareholders of the Company	818,231	843,496
Non-controlling interests	18,916	19,544
TOTAL EQUITY	<u>837,147</u>	<u>863,040</u>

BUSINESS REVIEW

The turnover of the Group for the year ended 31 March 2015 was HK\$1,265 million which was down 6% from HK\$1,340 million in the previous year. The net profit attributable to the equity shareholders of the Company was HK\$16.2 million, representing a decrease of 39% from HK\$26.5 million a year earlier. The decline in net profit was primarily due to lower turnover and net foreign exchange losses of approximately HK\$11.4 million arising mainly from the depreciation of the Pound sterling. Detailed analysis of the operating results is set out in the following paragraphs.

Toys Division

Like most of the toy factories in Mainland China, the Toys Division experienced very tough operating conditions. The price pressure resulting from intense competition among toy factories and the rise of wage rates have continued to erode the profit margin of the division. Compared to last year, the turnover of the division for the year under review decreased by 4% from HK\$585 million to HK\$564 million and its operating profit decreased by 62% from HK\$22.8 million to HK\$8.7 million.

Computer Products Division

The business of the Computer Products Division weakened in the fiscal year 2014/15 with its sales shrinking by 25% year-on-year to HK\$217 million as both the tape head and thermostat businesses suffered setbacks during the year. The division saw its operating profit fall 64% to HK\$11.3 million from HK\$31.3 million in the previous year.

Housewares Division

Bolstered by the strong sales in the UK and Europe, the turnover of the Housewares Division grew 26% to HK\$165 million from HK\$131 million a year earlier. However, the

results of the division were negatively affected by foreign exchange losses arising from the devaluation of the Pound sterling. In comparison with an operating loss of HK\$2.8 million in the previous year, the division recorded an operating profit of HK\$0.6 million for the year ended 31 March 2015.

Timepieces Division

We are pleased to report that the Timepieces Division returned to profitability in the year under review. As a result of the continuous efforts in streamlining the operation, the division now benefits from lower operating costs. For the year ended 31 March 2015, the turnover of the division dropped 4% year-on-year to HK\$319 million and its operating profit was HK\$7.0 million as compared to an operating loss of HK\$16.7 million last year.

Other Investments

The Group had a gain of HK\$0.9 million (2014: HK\$0.2 million) on the revaluation of the investment properties for the year ended 31 March 2015. Net realised and unrealised gains amounting to HK\$8.7 million (2014: HK\$1.6 million) were recorded on trading securities. The dividend and interest income on trading securities amounted to HK\$3.5 million for the year (2014: HK\$4.0 million). At 31 March 2015, the Group's trading securities amounted to HK\$170 million, a decrease of HK\$11 million from last year.

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 balance sheet with healthy liquidity. At 31 March 2015, the total assets amounted to HK\$1,037 million (2014: HK\$1,091 million) which were financed by current liabilities of HK\$196 million (2014: HK\$224 million) including a mortgage loan of HK\$9 million (2014: HK\$12 million), non-current liabilities of HK\$4 million (2014: HK\$4 million), non-controlling interests of HK\$19 million (2014: HK\$20 million) and equity attributable to the Company's equity shareholders of HK\$818 million (2014: HK\$843 million).

At 31 March 2015, the Group's cash balances aggregated to HK\$177 million, down from HK\$215 million a year ago. The current assets at 31 March 2015 amounted to HK\$725 million (2014: HK\$795 million). The inventories decreased from HK\$209 million to HK\$188 million and the trade and other receivables decreased slightly from HK\$191 million to HK\$190 million. The trading financial assets at 31 March 2015 amounted to HK\$170 million (2014: HK\$181 million).

At 31 March 2015, the Group's current liabilities decreased to HK\$196 million from HK\$224 million last year. Certain trading financial assets and bank deposits amounting to HK\$155 million (2014: HK\$108 million) were pledged to banks to secure banking facilities granted to the Group.

At 31 March 2015, the working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 3.70 as compared to 3.55 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 equivalents over current liabilities, increased to 1.71 from 1.58 in the previous year.

PROSPECT AND GENERAL OUTLOOK

As reflected by the latest orders position, the turnover of the Toys Division for the current financial year is expected to increase over last year although the profit margins will continue to come under heavy pressure. Nevertheless, coupled with the cost savings achieved from improved operating efficiency, the division will be in a better position to report improved results.

On the other hand, the business of thin-film heads shows little sign of improvement but it is hoped that with the increase in demand of the smart thermostats, the results of the Computer Products Division will remain satisfactory.

The Housewares Division will likely record a loss for the year, following a fire accident at our Zhuhai factory in May 2015 that caused significant disruption to the business operations, including production stoppage for one month. The extent of loss will depend on the amount to be recovered from insurance claims.

The performance of the Timepieces Division is expected to continue to improve now that the restructuring of the operations has been successfully completed.

As the global market has not recovered as much as one would have liked, the current financial year will continue to be challenging for the Group. Nevertheless, with the continuing efforts on improving the productivity and expanding the customer base, it is anticipated that the overall results of the Group's core businesses will improve over last year.

DIVIDEND

At the forthcoming Annual General Meeting to be held on 16 September 2015, the directors will recommend a final dividend of HK4 cents per share (2014: HK4 cents). Together with the interim dividend of HK3 cents (2014: HK3 cents), the dividend for the year of HK7 cents (2014: HK7 cents) would represent an annual return of 7% (2014: 8%) on the Company's average share price of HK\$0.94 (2014: HK\$0.88) in the year ended 31 March 2015.

The final dividend which will amount to HK\$24,100,000 is calculated based on the total number of shares in issue as at 28 June 2015, 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 Wednesday, 16 September 2015. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 14 September 2015 to Wednesday, 16 September 2015, 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 Friday, 11 September 2015.

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 Friday, 25 September 2015. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 24 September 2015 to Friday, 25 September 2015, 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 Wednesday, 23 September 2015. The payment of final dividend, if approved at the Annual General Meeting, will be made on Friday, 16 October 2015.

Herald Holdings Ltd
Hong Kong, 29 June 2015

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**For identification only*