



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 2023

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 2023, 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 2023

	2023 HK\$'000	2022 HK\$'000
Revenue	1,262,978	1,175,142
Cost of sales	<u>(963,211)</u>	<u>(1,055,156)</u>
Gross profit	299,767	119,986
Other revenue	10,317	11,861
Other net income/(loss)	15,644	(5,915)
Selling expenses	(10,181)	(11,414)
Administrative expenses	(196,351)	(183,264)
Net valuation gains on investment properties	<u>1,761</u>	<u>4,203</u>
Profit/(loss) from operations	120,957	(64,543)
Finance costs	<u>(3,078)</u>	<u>(2,157)</u>
Profit/(loss) before taxation	117,879	(66,700)
Income tax	<u>(35,591)</u>	<u>7,511</u>
Profit/(loss) for the year	<u>82,288</u>	<u>(59,189)</u>

	2023 HK\$'000	2022 HK\$'000
Attributable to:		
Equity shareholders of the Company	82,327	(61,147)
Non-controlling interests	<u>(39)</u>	<u>1,958</u>
Profit/(loss) for the year	<u>82,288</u>	<u>(59,189)</u>
Earnings/(loss) per share		
Basic (HK cents)	<u>13.62</u>	<u>(10.12)</u>
Diluted (HK cents)	<u>13.62</u>	<u>(10.12)</u>

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
Profit/(loss) for the year	82,288	(59,189)
Other comprehensive income for the year		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Reclassification of accumulated exchange differences to profit or loss upon deregistration of a subsidiary (no tax effect)	(2,950)	-
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong (no tax effect)	(18,206)	7,714
Other comprehensive income for the year	(21,156)	7,714
Total comprehensive income for the year	61,132	(51,475)
Attributable to:		
Equity shareholders of the Company	61,615	(53,476)
Non-controlling interests	(483)	2,001
Total comprehensive income for the year	61,132	(51,475)

Consolidated statement of financial position
At 31 March 2023

	2023	2022
	HK\$'000	HK\$'000
Non-current assets		
Investment properties	103,733	109,147
Other property, plant and equipment	206,992	246,493
	310,725	355,640
Intangible assets	988	1,022
Other financial assets	2,300	4,250
Deferred tax assets	4,106	31,851
	318,119	392,763
Current assets		
Trading securities	80,429	85,439
Inventories	184,237	254,866
Trade and other receivables	149,443	146,922
Pledged bank balances	947	990
Cash and cash equivalents	170,330	89,764
Current tax recoverable	-	1,719
	585,386	579,700
Current liabilities		
Trade and other payables and contract liabilities	148,267	209,994
Bank loans	10,000	54,032
Lease liabilities	5,806	3,902
Current tax payable	32,695	26,131
	196,768	294,059
Net current assets	388,618	285,641
Total assets less current liabilities	706,737	678,404

	2023 HK\$'000	2022 HK\$'000
Non-current liabilities		
Lease liabilities	13,544	8,354
Deferred tax liabilities	36,249	38,068
Provision for long service payments	1,242	1,142
	<u>51,035</u>	<u>47,564</u>
NET ASSETS	<u>655,702</u>	<u>630,840</u>
CAPITAL AND RESERVES		
Share capital	47,150	47,150
Reserves	<u>595,265</u>	<u>569,920</u>
Total equity attributable to equity shareholders of the Company	642,415	617,070
Non-controlling interests	<u>13,287</u>	<u>13,770</u>
TOTAL EQUITY	<u>655,702</u>	<u>630,840</u>

BUSINESS REVIEW

The Group achieved favourable results in the financial year under review. The revenue of the Group for the year ended 31 March 2023 was HK\$1,263 million which was up 7% from HK\$1,175 million in the previous year. The Group recorded a net profit attributable to the equity shareholders of the Company amounting to HK\$82.3 million as compared with a net loss of HK\$61.1 million a year earlier. The turnaround was mainly attributable to better-than-expected results of the Toys Division and a net gain of approximately HK\$22.5 million from the disposal of a property in Hong Kong. Detailed analysis of the operating results is set out in the following paragraphs.

Toys Division

The Toys Division finished the financial year with a very satisfactory result. Bolstered by higher demand for toys as COVID-19 restrictions eased, the revenue of the division for the year ended 31 March 2023 grew 15% year-on-year from HK\$845 million to HK\$973 million. During the year, the division also saw an increase in its profit margin because of productivity improvement and cost control measures. In comparison with an operating loss of HK\$75.6 million a year earlier, the division recorded an operating profit of HK\$101.9 million for the year under review.

Computer Products Division

The Computer Products Division performed well in the first half of the financial year due to the strong sales of smart connected devices. However, the strong momentum did not continue as a major customer faced the problem of overstocking and substantially postponed shipments of certain products. Compared to last year, the division's revenue for the year ended 31 March 2023 fell 4% from HK\$132 million to HK\$127 million, while its operating loss increased from HK\$0.7 million to HK\$2.7 million.

Timepieces Division

As mentioned in the Interim Report, the business of the Timepieces Division was impacted by fewer promotion programmes and weaker demand in the United Kingdom, the division's largest market. For the year ended 31 March 2023, the division's revenue declined by 18% year-on-year from HK\$199 million to HK\$163 million and its operating profit dropped 43% to HK\$14.2 million from HK\$24.9 million last year.

Other Investments

For the year ended 31 March 2023, the Group recognised net realised and unrealised losses on trading securities of HK\$5 million (2022: losses of HK\$6.6 million). The dividend and interest income on trading securities amounted to HK\$2 million for the year (2022: HK\$1.8 million). At 31 March 2023, the Group's trading securities amounted to HK\$80 million, a decrease of HK\$5 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 financial position with healthy liquidity. At 31 March 2023, the total assets amounted to HK\$903 million (2022: HK\$972 million) which were financed by current liabilities of HK\$197 million (2022: HK\$294 million), non-current liabilities of HK\$51 million (2022: HK\$47 million), non-controlling interests of HK\$13 million (2022: HK\$14 million) and equity attributable to the Company's equity shareholders of HK\$642 million (2022: HK\$617 million).

At 31 March 2023, the Group's cash balances aggregated to HK\$171 million, up from HK\$91 million a year ago. The current assets at 31 March 2023 amounted to HK\$585 million (2022: HK\$580 million). The inventories decreased from HK\$255 million to HK\$184 million while the trade and other receivables increased from HK\$147 million to HK\$149 million. The trading securities at 31 March 2023 amounted to HK\$80 million (2022: HK\$85 million).

At 31 March 2023, the Group's current liabilities amounted to HK\$197 million (2022: HK\$294 million) which included revolving bank loans of HK\$10 million (2022: HK\$54 million). Certain trading securities and bank deposits amounting to HK\$79 million (2022: HK\$84 million), along with certain properties with a carrying amount of HK\$46 million (2022: HK\$49 million), were also 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 2023 was 27% (2022: 35%). At 31 March 2023, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 2.98 as compared to 1.97 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, increased to 1.49 from 0.71 in the previous year.

PROSPECTS AND GENERAL OUTLOOK

As indicated by a weak order position, the business of the Toys Division will slow down in the new financial year. Toy companies are facing a rapid decline in toy demand as a result of a tight spending environment and retailers cutting back on inventories. Furthermore, price pressures from customers have led to reduced profit margin of the division. The outlook for the Computer Products Division is not encouraging. In particular, the management is still concerned about the overstocking problem of a major customer. On the other hand, the Timepieces Division started the new financial year with stable sales and a positive outlook. The division's online sales are expected to continue to grow. We are also in discussion with a major customer on a potential licensing agreement for our "Ingersoll" brand.

Despite the challenging business environment, the management is confident that the Group will weather the market difficulties and strive to achieve a solid result in the new financial year.

DIVIDEND

At the forthcoming Annual General Meeting to be held on 19 September 2023, the directors will recommend a final dividend of HK3 cents per share (2022: HK3 cents). Together with the interim dividend of HK3 cents (2022: HK3 cents), the dividend payment for the year of HK6 cents (2022: HK6 cents) would represent an annual return of 13.0% (2022: 10.0%) on the Company's average share price of HK\$0.46 (2022: HK\$0.60) in the year ended 31 March 2023.

The final dividend which will amount to HK\$18.1 million is calculated on the total number of shares in issue as at 28 June 2023, 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 Tuesday, 19 September 2023. 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, 13 September 2023 to Tuesday, 19 September 2023, 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, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 12 September 2023.

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, 6 October 2023. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 5 October 2023 to Friday, 6 October 2023, 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, 4 October 2023. The payment of final dividend, if approved at the Annual General Meeting, will be made on Tuesday, 17 October 2023.

Herald Holdings Limited
Hong Kong, 29 June 2023

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**For identification only*