



# 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 2021

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 2021, 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 2021

	2021 HK\$'000	2020 HK\$'000 (Restated)
<b>Continuing operations</b>		
Revenue	927,775	946,242
Cost of sales	<u>(733,716)</u>	<u>(746,242)</u>
<b>Gross profit</b>	<b>194,059</b>	200,000
Other revenue	5,117	5,540
Other net income	18,233	18,832
Selling expenses	(9,276)	(11,422)
Administrative expenses	(185,552)	(180,041)
Net valuation gains on investment properties	<u>1,912</u>	<u>427</u>
<b>Profit from operations</b>	<b>24,493</b>	33,336
Finance costs	<u>(795)</u>	<u>(2,116)</u>
<b>Profit before taxation</b>	<b>23,698</b>	31,220
Income tax	<u>(3,953)</u>	<u>(12,887)</u>
<b>Profit for the year from continuing operations</b>	<b>19,745</b>	18,333
<b>Discontinued operations</b>		
Profit/(loss) for the year from discontinued operations	<u>14,002</u>	<u>(10,957)</u>
<b>Profit for the year</b>	<b><u>33,747</u></b>	<b><u>7,376</u></b>

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000 (Restated)
<b>Attributable to:</b>		
Equity shareholders of the Company		
- Profit for the year from continuing operations	<b>20,561</b>	18,972
- Profit/(loss) for the year from discontinued operations	<b>13,360</b>	(10,174)
	<u><b>33,921</b></u>	<u>8,798</u>
Non-controlling interests		
- Loss for the year from continuing operations	<b>(816)</b>	(639)
- Profit/(loss) for the year from discontinued operations	<b>642</b>	(783)
	<u><b>(174)</b></u>	<u>(1,422)</u>
<b>Profit for the year</b>	<u><b>33,747</b></u>	<u>7,376</u>
<b>Earnings/(loss) per share</b>		
<b>Basic (HK cents)</b>		
- From continuing operations	<b>3.40</b>	3.14
- From discontinued operations	<b>2.21</b>	(1.68)
	<u><b>5.61</b></u>	<u>1.46</u>
<b>Diluted (HK cents)</b>		
- From continuing operations	<b>3.40</b>	3.14
- From discontinued operations	<b>2.21</b>	(1.68)
	<u><b>5.61</b></u>	<u>1.46</u>

**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 31 March 2021**

	2021 HK\$'000	2020 HK\$'000 (Restated)
<b>Profit for the year</b>	<b>33,747</b>	<b>7,376</b>
<b>Other comprehensive income for the year</b>		
<i>Item 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 (net of tax effect of HK\$14,511,000 (2020: HK\$Nil))	<b>20,385</b>	-
<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)	<b>20,868</b>	(15,330)
Reclassification of accumulated exchange differences to profit or loss upon deregistration of a subsidiary (no tax effect)	-	348
<b>Other comprehensive income for the year</b>	<b>41,253</b>	(14,982)
<b>Total comprehensive income for the year</b>	<b>75,000</b>	(7,606)
<b>Attributable to:</b>		
Equity shareholders of the Company		
- From continuing operations	<b>43,058</b>	1,851
- From discontinued operations	<b>27,592</b>	(7,941)
	<b>70,650</b>	(6,090)
Non-controlling interests		
- From continuing operations	<b>(816)</b>	(639)
- From discontinued operations	<b>5,166</b>	(877)
	<b>4,350</b>	(1,516)
<b>Total comprehensive income for the year</b>	<b>75,000</b>	(7,606)

## Consolidated statement of financial position

At 31 March 2021

	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>		
Investment properties	101,526	55,181
Other property, plant and equipment	251,995	272,233
	<u>353,521</u>	<u>327,414</u>
Intangible assets	1,056	1,090
Interest in a joint venture	-	-
Other financial assets	2,300	2,300
Deferred tax assets	17,077	14,438
	<u>373,954</u>	<u>345,242</u>
<b>Current assets</b>		
Trading securities	91,883	74,829
Inventories	146,120	148,834
Trade and other receivables	161,960	116,144
Pledged bank balances	2,359	1,020
Cash and cash equivalents	168,601	189,971
Current tax recoverable	3,469	185
	<u>574,392</u>	<u>530,983</u>
<b>Current liabilities</b>		
Trade and other payables and contract liabilities	161,758	141,686
Bank loans	1,092	3,668
Lease liabilities	4,459	5,303
Current tax payable	21,012	22,803
	<u>188,321</u>	<u>173,460</u>
<b>Net current assets</b>	<u>386,071</u>	<u>357,523</u>
<b>Total assets less current liabilities</b>	<u>760,025</u>	<u>702,765</u>

	2021 HK\$'000	2020 HK\$'000
<b>Non-current liabilities</b>		
Lease liabilities	5,501	4,772
Deferred tax liabilities	34,714	16,805
Provision for long service payments	1,225	1,333
	<u>41,440</u>	<u>22,910</u>
<b>NET ASSETS</b>	<u>718,585</u>	<u>679,855</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	47,150	47,150
Reserves	659,666	625,286
<b>Total equity attributable to equity shareholders of the Company</b>	<b>706,816</b>	<b>672,436</b>
<b>Non-controlling interests</b>	<u>11,769</u>	<u>7,419</u>
<b>TOTAL EQUITY</b>	<u>718,585</u>	<u>679,855</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 2021, including both continuing and discontinued operations, was HK\$1,012 million which was about the same as that in the previous year. The net profit attributable to the equity shareholders of the Company soared to HK\$33.9 million from HK\$8.8 million a year earlier. The net profit for the year included a net gain of approximately HK\$5.6 million from the disposal of a property (2020: HK\$29.4 million) and net valuation gains on investment properties of HK\$4.0 million (2020: HK\$0.4 million). Detailed analysis of the operating results is set out in the following paragraphs.

### Toys Division

In general, the toy industry had a very tough year. The price pressure resulting from intense competition among toy factories, the appreciation of Renminbi and rising costs of production have continued to erode the profit margins in the industry. In addition, several customers cancelled orders and postponed shipments of certain products due to the impact of Covid-19 lockdowns. For the year ended 31 March 2021, the division's revenue declined by 3% year-on-year from HK\$709 million to HK\$686 million, while its operating profit dropped to HK\$16.7 million from HK\$38.1 million a year earlier.

### Computer Products Division

Amid a difficult business environment, the performance of the Computer Products Division remained unsatisfactory in the year under review. Compared to last year, the division's revenue decreased by 16% from HK\$109 million to HK\$91 million. The revenue decline was mainly due to weaker sales of motor actuator assemblies. With lower revenue, the division saw its operating loss increased to HK\$11.3 million from HK\$6.6 million in the previous year.

## **Timepieces Division**

The performance of the Timepieces Division continued to improve in the year ended 31 March 2021 with its revenue rising 17% year-on-year from HK\$129 million to HK\$151 million. The improvement was attributable in part to the growth of online sales which also have higher profit margins. Together with a reduction in headcount, the division's operating profit for the year under review increased substantially to HK\$11.1 million from HK\$3.9 million last year.

## **Other Investments**

For the year ended 31 March 2021, the Group recognised net realised and unrealised gains on trading securities of HK\$18.7 million (2020: losses of HK\$10.8 million). The dividend and interest income on trading securities amounted to HK\$1.3 million for the year (2020: HK\$2.1 million). At 31 March 2021, the Group's trading securities amounted to HK\$92 million, an increase of HK\$17 million from last year.

## **Housewares Division (discontinued operations)**

The Housewares Division benefited from an increase in demand for cookware during the Covid-19 lockdowns and its revenue for the year ended 31 March 2021 surged 28% year-on-year from HK\$66 million to HK\$84 million. At the end of March 2021, the division discontinued its business and disposed of its property in the United Kingdom for HK\$18.5 million. Taking into account a net gain of approximately HK\$5.6 million from the property disposal, the division recorded an operating profit of HK\$14.3 million for the year under review as compared with an operating loss of HK\$9.5 million a year earlier.

## **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 2021, the total assets amounted to HK\$948 million (2020: HK\$876 million) which were financed by current liabilities of HK\$188 million (2020: HK\$173 million), non-current liabilities of HK\$41 million (2020: HK\$23 million), non-controlling interests of HK\$12 million (2020: HK\$7 million) and equity attributable to the Company's equity shareholders of HK\$707 million (2020: HK\$672 million).

At 31 March 2021, the Group's cash balances aggregated to HK\$171 million, down from HK\$191 million a year ago. The current assets at 31 March 2021 amounted to HK\$574 million (2020: HK\$531 million). The inventories decreased from HK\$149 million to HK\$146 million while the trade and other receivables increased from HK\$116 million to HK\$162 million. The trading securities at 31 March 2021 amounted to HK\$92 million (2020: HK\$75 million).

At 31 March 2021, the Group's current liabilities increased to HK\$188 million from HK\$173 million last year. The bank loans represented a mortgage loan balance of HK\$1 million (2020: HK\$4 million) which is repayable by fixed monthly instalments with maturity date in August 2021. Certain trading securities and bank deposits amounting to HK\$92 million (2020: HK\$72 million), along with certain properties with a carrying amount of HK\$52 million (2020: HK\$55 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 2021 was 24% (2020: 22%). At 31 March 2021, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 3.05 as compared to 3.06 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, decreased to 1.52 from 1.64 in the previous year.

## **PROSPECT AND GENERAL OUTLOOK**

As indicated by the current order position, the business of the Toys Division is expected to remain robust in the first half of the new financial year. However, the problems of rising material and labour costs will continue to put pressure on the already tight profit margins of the division's business. In addition, the division is facing the challenges of a global shortage of shipping containers and electricity supply interruptions in Dongguan where its factories are located. On the other hand, we are optimistic about the prospects of smart connected products and expect that the sales of these products will pick up in 2021. Nevertheless, there have been growing concerns about a global shortage of electronic components which had led to long lead times and shipment delays. The Timepieces Division started the new financial year with stable sales and a positive outlook. In response to the change in consumer buying behaviour amid the Covid-19 pandemic, the division will continue to put more effort into boosting online sales.

With Covid-19 vaccine rollouts well underway across the world, the global economy is expected to rebound in 2021. Although the strength and breadth of the recovery is subject to the uncertainties associated with Covid-19, the management is confident that the Group will overcome the difficulties and strive to achieve a solid result in the financial year ending 31 March 2022.

## **DIVIDEND**

At the forthcoming Annual General Meeting to be held on 17 September 2021, the directors will recommend a final dividend of HK3 cents per share (2020: HK3 cents). Together with the interim dividend of HK3 cents (2020: HK2 cents), the dividend payment for the year of HK6 cents (2020: HK5 cents) would represent an annual return of 9.5% (2020: 7.4%) on the Company's average share price of HK\$0.63 (2020: HK\$0.68) in the year ended 31 March 2021.

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 2021, 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 Friday, 17 September 2021. 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, 13 September 2021 to Friday, 17 September 2021, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 10 September 2021.

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, 29 September 2021. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 28 September 2021 to Wednesday, 29 September 2021, 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, 27 September 2021. The payment of final dividend, if approved at the Annual General Meeting, will be made on Wednesday, 13 October 2021.

Herald Holdings Limited

Hong Kong, 29 June 2021

Contact Person	:	Mr. Robert Dorfman	2522 6181
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*\*For identification only*