



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 2024

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 2024, 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 2024

	2024 HK\$'000	2023 HK\$'000
Revenue	711,337	1,262,978
Cost of sales	<u>(551,059)</u>	(963,211)
Gross profit	160,278	299,767
Other revenue	15,213	10,317
Other net income	856	15,644
Selling expenses	(11,140)	(10,181)
Administrative expenses	(173,984)	(196,351)
Net valuation (losses)/gains on investment properties	<u>(7,465)</u>	1,761
(Loss)/profit from operations	(16,242)	120,957
Finance costs	<u>(1,115)</u>	(3,078)
(Loss)/profit before taxation	(17,357)	117,879
Income tax	<u>2,574</u>	(35,591)
(Loss)/profit for the year	<u>(14,783)</u>	82,288

	2024	2023
	HK\$'000	HK\$'000
Attributable to:		
Equity shareholders of the Company	(14,385)	82,327
Non-controlling interests	(398)	<u>(39)</u>
(Loss)/profit for the year	<u>(14,783)</u>	<u>82,288</u>
(Loss)/earnings per share		
Basic (HK cents)	<u>(2.38)</u>	<u>13.62</u>
Diluted (HK cents)	<u>(2.38)</u>	<u>13.62</u>

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 March 2024

	2024 HK\$'000	2023 HK\$'000
(Loss)/profit for the year	<u>(14,783)</u>	<u>82,288</u>
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)	<u>(11,663)</u>	<u>(18,206)</u>
Other comprehensive income for the year	<u>(11,663)</u>	<u>(21,156)</u>
Total comprehensive income for the year	<u>(26,446)</u>	<u>61,132</u>
Attributable to:		
Equity shareholders of the Company	(25,774)	61,615
Non-controlling interests	<u>(672)</u>	<u>(483)</u>
Total comprehensive income for the year	<u>(26,446)</u>	<u>61,132</u>

Consolidated statement of financial position
At 31 March 2024

	2024 HK\$'000	2023 HK\$'000
Non-current assets		
Investment properties	91,859	103,733
Other property, plant and equipment	168,301	206,992
	<u>260,160</u>	310,725
Intangible assets	954	988
Other financial assets	4,000	2,300
Prepayment	841	-
Deferred tax assets	5,614	4,106
	<u>271,569</u>	318,119
Current assets		
Trading securities	77,390	80,429
Inventories	122,659	184,237
Trade and other receivables	108,036	149,443
Pledged bank balances	3,607	947
Cash and cash equivalents	229,188	170,330
	<u>540,880</u>	585,386
Current liabilities		
Trade and other payables and contract liabilities	145,993	148,267
Bank loans	-	10,000
Lease liabilities	5,226	5,806
Current tax payable	29,504	32,695
	<u>180,723</u>	196,768
Net current assets	<u>360,157</u>	388,618
Total assets less current liabilities	<u>631,726</u>	706,737

	2024	2023
	HK\$'000	HK\$'000
Non-current liabilities		
Lease liabilities	6,536	13,544
Deferred tax liabilities	30,360	36,249
Provision for long service payments	1,844	1,242
	38,740	51,035
NET ASSETS	592,986	655,702
CAPITAL AND RESERVES		
Share capital	47,150	47,150
Reserves	533,221	595,265
Total equity attributable to equity shareholders of the Company	580,371	642,415
Non-controlling interests	12,615	13,287
TOTAL EQUITY	592,986	655,702

BUSINESS REVIEW

The revenue of the Group for the year ended 31 March 2024 was HK\$711 million which was 44% down from HK\$1,263 million in the previous year. The Group recorded a net loss attributable to the equity shareholders of the Company amounting to HK\$14.4 million as compared with a net profit of HK\$82.3 million a year earlier. This change is mainly attributable to the decline in customer demand for toys products and the absence of a net gain from the disposal of a Hong Kong property amounting to HK\$22.5 million last year. Detailed analysis of the operating results is set out in the following paragraphs.

Toys Division

As a result of a tight spending environment and retailers cutting back on inventories, the revenue of the Toys division for the year ended 31 March 2024 dropped 58% year-on-year from HK\$973 million to HK\$408 million. In comparison with an operating profit of HK\$101.9 million a year earlier, the division recorded an operating loss of HK\$9.5 million for the year under review.

Computer Products Division

As a major customer faced the problem of overstocking and substantially postponed shipments of certain products, the Computer Products Division's revenue for the year ended 31 March 2024 fell 18% year-on-year from HK\$127 million to HK\$104 million, while its operating loss increased from HK\$2.7 million to HK\$6.5 million.

Timepieces Division

Benefiting from strong consumer demand for timepieces, the business of the Timepieces Division performed well and recorded a revenue of HK\$199 million for the year ended 31 March 2024, representing a 22% year-on-year increase from HK\$163 million last year. The division's operating profit increased 58% to HK\$22.5 million from HK\$14.2 million last year.

Other Investments

For the year ended 31 March 2024, the Group recognised net realised and unrealised losses on trading securities of HK\$3.0 million (2023: losses of HK\$5.0 million). The dividend and interest income on trading securities amounted to HK\$2.7 million for the year (2023: HK\$2.0 million). At 31 March 2024, the Group's trading securities amounted to HK\$77 million, a decrease of HK\$3 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 2024, the total assets amounted to HK\$812 million (2023: HK\$903 million) which were financed by current liabilities of HK\$181 million (2023: HK\$197 million), non-current liabilities of HK\$39 million (2023: HK\$51 million), non-controlling interests of HK\$13 million (2023: HK\$13 million) and equity attributable to the Company's equity shareholders of HK\$580 million (2023: HK\$642 million).

At 31 March 2024, the Group's cash balances including pledged bank balances aggregated to HK\$233 million, up from HK\$171 million a year ago. The current assets at 31 March 2024 amounted to HK\$541 million (2023: HK\$585 million). The inventories decreased from HK\$184 million to HK\$123 million and the trade and other receivables decreased from HK\$149 million to HK\$108 million. The trading securities at 31 March 2024 amounted to HK\$77 million (2023: HK\$80 million).

At 31 March 2024, the Group's current liabilities amounted to HK\$181 million (2023: HK\$197 million) with no outstanding bank loan (2023: revolving bank loans of HK\$10 million). Certain trading securities and bank deposits amounting to HK\$80 million (2023: HK\$79 million), along with certain properties with a carrying amount of HK\$43 million (2023: HK\$46 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 2024 was 27% (2023: 27%). At 31 March 2024, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 2.99 as compared to 2.98 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 1.80 from 1.49 in the previous year.

PROSPECTS AND GENERAL OUTLOOK

The business of the Toys Division will remain challenging in the new financial year. Due to the postponement and cancellation of several movies, sales of our toys products are expected to decline accordingly. Furthermore, price pressures from customers have led to reduced profit margins for the division. The overstocking problem of a major customer of our Computer Products Division is gradually improving and the division is also striving to expand the customer base. On the other hand, the Timepieces Division started the new financial year with stable sales and a positive outlook.

Despite the challenging business environment, the management is hopeful that the Group will weather the market difficulties and remain competitive in the new financial year.

DIVIDEND

At the forthcoming Annual General Meeting to be held on 12 September 2024, the directors will recommend a final dividend of HK3 cents per share (2023: HK3 cents). Together with the interim dividend of HK3 cents (2023: HK3 cents), the dividend payment for the year of HK6 cents (2023: HK6 cents) would represent an annual return of 12.5% (2023: 13.0%) on the Company's average share price of HK\$0.48 (2023: HK\$0.46) in the year ended 31 March 2024.

The final dividend which will amount to HK\$18.1 million is calculated on the total number of shares in issue as at 27 June 2024, 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 Thursday, 12 September 2024. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Friday, 6 September 2024 to Thursday, 12 September 2024, 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 Thursday, 5 September 2024.

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, 27 September 2024. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 26 September 2024 to Friday, 27 September 2024, 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, 25 September 2024. The payment of final dividend, if approved at the Annual General Meeting, will be made on Monday, 14 October 2024.

HERALD HOLDINGS LIMITED
Hong Kong, 27 June 2024

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**For identification only*