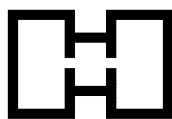


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HERALD HOLDINGS LIMITED

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 2022

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 2022, 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 2022

	Note	2022 HK\$'000	2021 HK\$'000
Continuing operations			
Revenue	3 & 4	1,175,142	927,775
Cost of sales		<u>(1,055,156)</u>	<u>(733,716)</u>
Gross profit		119,986	194,059
Other revenue	5	11,861	5,117
Other net (loss)/income	5	(5,915)	18,233
Selling expenses		(11,414)	(9,276)
Administrative expenses		(183,264)	(185,552)
Net valuation gains on investment properties		<u>4,203</u>	<u>1,912</u>
(Loss)/profit from operations		(64,543)	24,493
Finance costs	6(a)	<u>(2,157)</u>	<u>(795)</u>
(Loss)/profit before taxation	6	(66,700)	23,698
Income tax	7	<u>7,511</u>	<u>(3,953)</u>
(Loss)/profit for the year from continuing operations		(59,189)	19,745
Discontinued operations			
Profit for the year from discontinued operations	12	<u>-</u>	<u>14,002</u>
(Loss)/profit for the year		<u>(59,189)</u>	<u>33,747</u>

	Note	2022 HK\$'000	2021 HK\$'000
Attributable to:			
Equity shareholders of the Company			
- (Loss)/profit for the year from continuing operations		(61,147)	20,561
- Profit for the year from discontinued operations	12	-	13,360
		<u>(61,147)</u>	<u>33,921</u>
Non-controlling interests			
- Profit/(loss) for the year from continuing operations		1,958	(816)
- Profit for the year from discontinued operations	12	-	642
		<u>1,958</u>	<u>(174)</u>
(Loss)/profit for the year		<u>(59,189)</u>	<u>33,747</u>
(Loss)/earnings per share	9		
Basic (HK cents)			
- From continuing operations		(10.12)	3.40
- From discontinued operations		-	2.21
		<u>(10.12)</u>	<u>5.61</u>
Diluted (HK cents)			
- From continuing operations		(10.12)	3.40
- From discontinued operations		-	2.21
		<u>(10.12)</u>	<u>5.61</u>

Details of dividends payable to equity shareholders of the Company are set out in note 8.

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 March 2022

	Note	2022 HK\$'000	2021 HK\$'000
(Loss)/profit for the year		<u>(59,189)</u>	<u>33,747</u>
Other comprehensive income for the year			
<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 (2021: net of tax effect of HK\$14,511,000)		-	20,385
<i>Item 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>7,714</u>	<u>20,868</u>
Other comprehensive income for the year		<u>7,714</u>	<u>41,253</u>
Total comprehensive income for the year		<u>(51,475)</u>	<u>75,000</u>
Attributable to:			
Equity shareholders of the Company			
- From continuing operations		(53,476)	43,058
- From discontinued operations		-	27,592
		<u>(53,476)</u>	<u>70,650</u>
Non-controlling interests			
- From continuing operations		2,001	(816)
- From discontinued operations		-	5,166
		<u>2,001</u>	<u>4,350</u>
Total comprehensive income for the year		<u>(51,475)</u>	<u>75,000</u>

Consolidated statement of financial position

At 31 March 2022

	Note	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Investment properties		109,147	101,526
Other property, plant and equipment		246,493	251,995
		<u>355,640</u>	<u>353,521</u>
Intangible assets		1,022	1,056
Interest in a joint venture		-	-
Other financial assets		4,250	2,300
Deferred tax assets		31,851	17,077
		<u>392,763</u>	<u>373,954</u>
Current assets			
Trading securities		85,439	91,883
Inventories		254,866	146,120
Trade and other receivables	10	146,922	161,960
Pledged bank balances		990	2,359
Cash and cash equivalents		89,764	168,601
Current tax recoverable		1,719	3,469
		<u>579,700</u>	<u>574,392</u>
Current liabilities			
Trade and other payables and contract liabilities	11	209,994	161,758
Bank loans		54,032	1,092
Lease liabilities		3,902	4,459
Current tax payable		26,131	21,012
		<u>294,059</u>	<u>188,321</u>
Net current assets		<u>285,641</u>	<u>386,071</u>
Total assets less current liabilities		<u>678,404</u>	<u>760,025</u>

	Note	2022 HK\$'000	2021 HK\$'000
Non-current liabilities			
Lease liabilities		8,354	5,501
Deferred tax liabilities		38,068	34,714
Provision for long service payments		1,142	1,225
		<u>47,564</u>	<u>41,440</u>
NET ASSETS		<u>630,840</u>	718,585
CAPITAL AND RESERVES			
Share capital		47,150	47,150
Reserves		569,920	659,666
Total equity attributable to equity shareholders of the Company		617,070	706,816
Non-controlling interests		13,770	11,769
TOTAL EQUITY		630,840	718,585

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 2022 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. These 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 ("the Stock Exchange") ("Listing Rules").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment properties, equity investments classified as other financial assets, and financial instruments classified as trading securities are stated at their fair value.

The figures in respect of this announcement of the Group's results for the year ended 31 March 2022 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in respect of this announcement was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor on this announcement.

2. Changes in accounting policies

The Group has applied Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021* issued by the HKICPA for the current accounting period.

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRS are discussed below:

Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 April 2021.

3. Revenue

The principal activities of the Group are the manufacture, sale and distribution of toys, computer products, housewares, clocks, watches, and electronic and gift products.

Disaggregation of revenue from contracts with customers by major product lines is as follows:

	Continuing operations		Discontinued operations
	2022	2021	2021
	HK\$'000	HK\$'000	HK\$'000
Revenue from sale of goods within the scope of HKFRS 15			
Disaggregated by major product lines			
– Toys	844,728	685,620	-
– Computer products	131,662	91,427	-
– Timepieces	198,752	150,728	-
– Housewares	-	-	84,311
	1,175,142	927,775	84,311

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 4(c).

The Group's customer base includes one (2021: one) customer with whom transactions have exceeded 10% of the Group's revenue. During the year, revenue from sales of toys to this customer amounted to approximately HK\$672,800,000 (2021: HK\$557,100,000). For both years, the sales arose mainly in the North America geographical region in which the toys division is active.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date to its revenue from sales of goods as the performance obligation is part of a contract that has an original expected duration of one year or less.

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.
Timepieces	:	The sale and distribution of clocks, watches, and electronic and gift products.
Investments	:	The investment in debt and equity securities and managed funds.
Others	:	The leasing of properties to group companies and third parties to generate rental income and to gain from the appreciation in the properties' values in the long term.
Housewares - discontinued operations	:	The sale and distribution of housewares.

As disclosed in note 12, the Group no longer carried on the business of housewares segment. The results of this segment have been classified as discontinued operations of the Group for the year ended 31 March 2021.

(a) Segment results, assets and liabilities

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 years ended 31 March 2022 and 2021 is set out below:

	2022					Total HK\$'000
	Toys HK\$'000	Computer products HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	
Revenue from external customers	844,728	131,662	198,752	-	-	1,175,142
Inter-segment revenue	-	-	-	-	2,762	2,762
Reportable segment revenue	844,728	131,662	198,752	-	2,762	1,177,904
Reportable segment (loss)/profit	(75,550)	(734)	24,936	(4,798)	5,244	(50,902)
Interest income	228	11	1	-	35	275
Interest expense	(1,672)	(1)	(207)	-	(7)	(1,887)
Depreciation and amortisation for the year	(19,118)	(2,908)	(2,751)	-	(6,059)	(30,836)
Reportable segment assets	416,609	135,118	105,635	90,679	159,722	907,763
Additions to non-current segment assets during the year	17,975	234	3,931	-	2,144	24,284
Reportable segment liabilities	205,316	22,936	27,954	-	1,743	257,949

2021

	Toys	Computer products	Timepieces	Investments	Others	Continuing operations Sub-total	Housewares – discontinued operations	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	685,620	91,427	150,728	-	-	927,775	84,311	1,012,086
Inter-segment revenue	679	-	-	-	2,841	3,520	-	3,520
Reportable segment revenue	<u>686,299</u>	<u>91,427</u>	<u>150,728</u>	<u>-</u>	<u>2,841</u>	<u>931,295</u>	<u>84,311</u>	<u>1,015,606</u>
Reportable segment profit/(loss)	16,658	(11,340)	11,092	20,084	(404)	36,090	14,346	50,436
Interest income	95	36	13	-	-	144	8	152
Interest expense	(377)	(15)	(53)	-	(60)	(505)	-	(505)
Depreciation and amortisation for the year	(19,339)	(3,476)	(2,667)	-	(6,174)	(31,656)	(617)	(32,273)
Reportable segment assets	360,526	122,156	103,828	96,542	147,902	830,954	64,018	894,972
Additions to non-current segment assets during the year	9,080	2,296	5,187	-	22	16,585	-	16,585
Reportable segment liabilities	105,193	18,418	29,061	-	1,286	153,958	30,702	184,660

(b) **Reconciliations of reportable segment revenue, (loss)/profit, interest income, interest expense, assets and liabilities**

	2022 HK\$'000	2021 HK\$'000
Revenue		
Reportable segment revenue	1,177,904	1,015,606
Elimination of inter-segment revenue	(2,762)	(3,520)
Elimination of discontinued operations	-	(84,311)
Consolidated revenue	<u>1,175,142</u>	<u>927,775</u>
(Loss)/profit		
Reportable segment (loss)/profit	(50,902)	50,436
Elimination of discontinued operations	-	(14,346)
Unallocated corporate expenses	(15,798)	(12,392)
Consolidated (loss)/profit before taxation	<u>(66,700)</u>	<u>23,698</u>
Interest income		
Reportable segment interest income	275	152
Elimination of discontinued operations	-	(8)
Unallocated corporate interest income	431	360
Consolidated interest income	<u>706</u>	<u>504</u>
Interest expense		
Reportable segment interest expense	1,887	505
Unallocated corporate interest expense	270	290
Consolidated interest expense	<u>2,157</u>	<u>795</u>
Assets		
Reportable segment assets	907,763	894,972
Elimination of inter-segment receivables	(165)	(19,082)
	<u>907,598</u>	<u>875,890</u>
Current tax recoverable	1,719	3,469
Deferred tax assets	31,851	17,077
Unallocated corporate assets	31,295	51,910
Consolidated total assets	<u>972,463</u>	<u>948,346</u>
Liabilities		
Reportable segment liabilities	257,949	184,660
Elimination of inter-segment payables	(165)	(19,082)
	<u>257,784</u>	<u>165,578</u>
Current tax payable	26,131	21,012
Deferred tax liabilities	38,068	34,714
Unallocated corporate liabilities	19,640	8,457
Consolidated total liabilities	<u>341,623</u>	<u>229,761</u>

(c) Geographic 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 investment properties and other property, plant and equipment, intangible assets and interest in a joint venture ("specified non-current assets"). The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the assets in the case of investment properties and other property, plant and equipment, and based on the location of operations in the case of intangible assets and interest in a joint venture.

	Revenue from external customers			Specified non-current assets	
	Continuing operations		Discontinued operations	2022 HK\$'000	2021 HK\$'000
	2022 HK\$'000	2021 HK\$'000	2021 HK\$'000		
Hong Kong (place of domicile)	91,433	72,437	-	73,233	73,802
North America	645,617	508,537	-	-	-
United Kingdom	135,100	108,731	83,206	15,669	15,045
Europe (excluding United Kingdom)	112,494	106,843	1,048	-	-
Asia (excluding Mainland China and Hong Kong)	53,052	25,911	-	-	-
Mainland China	63,532	52,813	57	267,760	265,730
Other	73,914	52,503	-	-	-
	1,083,709	855,338	84,311	283,429	280,775
	1,175,142	927,775	84,311	356,662	354,577

5. Other revenue and other net (loss)/income

	2022 HK\$'000	2021 HK\$'000
Other revenue		
Interest income from deposits with banks	706	500
Interest income from debtors	-	4
Rental income	5,399	650
Dividend income from listed securities	1,805	1,349
Sales of scrap materials	1,495	769
Covid-19-related rent concessions	408	1,061
Forfeiture of advance payments from a customer	1,128	-
Others	920	784
	<u>11,861</u>	<u>5,117</u>
Other net (loss)/income		
Net gain on disposal of property, plant and equipment	344	38
Gain on early termination of leases	1	10
Net foreign exchange gain/(loss)	474	(566)
Net realised and unrealised (losses)/gains on trading securities	(6,603)	18,735
Others	(131)	16
	<u>(5,915)</u>	<u>18,233</u>

6. (Loss)/profit before taxation

(Loss)/profit before taxation from continuing operations is arrived at after charging/(crediting):

	2022 HK\$'000	2021 HK\$'000
(a) Finance costs		
Interest on bank loans and other borrowings	1,711	438
Interest on lease liabilities	446	357
	<u>2,157</u>	<u>795</u>
(b) Other items		
Amortisation of intangible assets	34	34
Cost of inventories	1,055,156	733,716
Depreciation		
- owned property, plant and equipment	18,204	18,428
- right-of-use assets	12,598	13,194
Impairment losses/(reversal of impairment losses) on trade debtors	153	(1,375)
Impairment loss on other receivables	591	2,197
Rentals receivable from investment properties less direct outgoings of HK\$53,000 (2021: HK\$58,000)	(5,346)	(592)

7. Income tax

	2022 HK\$'000	2021 HK\$'000
Hong Kong Profits Tax	124	2,466
Taxation outside Hong Kong	4,331	1,817
Deferred tax	<u>(11,966)</u>	<u>(330)</u>
	<u>(7,511)</u>	<u>3,953</u>

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year, except for a subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax regime.

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

	2022 HK\$'000	2021 HK\$'000
Interim dividend declared and paid of HK3 cents (2021: HK3 cents) per share	18,135	18,135
Final dividend proposed after the end of the reporting period of HK3 cents (2021: HK3 cents) per share	<u>18,135</u>	<u>18,135</u>
	<u>36,270</u>	<u>36,270</u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

9. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to equity shareholders of the Company and the weighted average number of shares of 604,491,000 (2021: 604,491,000) in issue during the year.

	2022 HK\$'000	2021 HK\$'000
(Loss)/profit attributable to equity shareholders of the Company arises from:		
- Continuing operations	(61,147)	20,561
- Discontinued operations	<u>-</u>	<u>13,360</u>
	<u>(61,147)</u>	<u>33,921</u>

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the years ended 31 March 2022 and 2021 are same as the basic (loss)/earnings per share as the share options outstanding during the year had an anti-dilutive effect on the basic (loss)/earnings per share.

10. Trade and other receivables

Included in trade and other receivables are trade debtors and bills receivable (based on the invoice date and net of loss allowance) with the following ageing analysis as of the end of the reporting period:

	At 31 March 2022 HK\$'000	At 31 March 2021 HK\$'000
Within 3 months	112,366	114,540
4 to 6 months	3,269	1,963
7 to 12 months	4,658	6
13 to 24 months	24	228
	<hr/>	<hr/>
Trade debtors and bills receivable, net of loss allowance	120,317	116,737
Deposits, prepayments and other receivables	26,605	45,223
	<hr/>	<hr/>
	146,922	161,960

Trade debtors and bills receivable are normally due within 90 days from the date of billing.

11. Trade and other payables and contract liabilities

Included in trade and other payables and contract liabilities are trade creditors and bills payable (based on the invoice date) with the following ageing analysis as of the end of the reporting period:

	At 31 March 2022 HK\$'000	At 31 March 2021 HK\$'000
Within 1 month	22,878	14,079
Over 1 month but within 3 months	10,174	6,919
Over 3 months	3,348	1,544
	<hr/>	<hr/>
Trade creditors and bills payable	36,400	22,542
Accruals and other payables	164,314	130,696
	<hr/>	<hr/>
	200,714	153,238
Contract liabilities		
- forward sales deposits	9,280	8,520
	<hr/>	<hr/>
	209,994	161,758

All of the trade and other payables and contract liabilities are expected to be settled or recognised as income within one year.

12. Discontinued operations

During the year ended 31 March 2021, the Group ceased the operations and leased out or disposed of all the property, plant and equipment of the housewares segment. As the housewares segment was considered as a separate major line of business, the corresponding operations were classified as discontinued operations as a result of the cessation of operations of this segment.

The results of the discontinued operations for the year ended 31 March 2021 were set out below:

	2021 HK\$'000
Revenue	84,311
Cost of sales	<u>(67,580)</u>
Gross profit	16,731
Other revenue	2,858
Other net income	9,921
Selling expenses	(2,753)
Administrative expenses	(14,472)
Valuation gains on investment properties	<u>2,061</u>
Profit before taxation	14,346
Income tax	<u>(344)</u>
Profit for the year from discontinued operations	<u>14,002</u>
Attributable to:	
Equity shareholders of the Company	13,360
Non-controlling interests	<u>642</u>
	<u>14,002</u>
Cash flows	
Operating cash inflows	7,497
Investing cash inflows	8
Financing cash outflows	<u>(9,750)</u>
Net cash outflows	<u>(2,245)</u>

13. Non-adjusting event after the reporting period

Subsequent to the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 8.

BUSINESS REVIEW

The revenue of the Group for the year ended 31 March 2022 was HK\$1,175 million which was up 16% from HK\$1,012 million (including both continuing and discontinued operations) in the previous year. The Group recorded a net loss attributable to the equity shareholders of the Company amounting to HK\$61.1 million as compared with a net profit of HK\$33.9 million a year earlier. The net loss for the year was mainly due to challenges of a global shortage of shipping containers and electricity supply interruptions in Guangdong Province, rising material and labour costs as a result of disruptions in global supply chain and labour supply shortages, and net realised and unrealised losses on trading securities of HK\$6.6 million (2021: net gains of HK\$18.7 million). Detailed analysis of the operating results is set out in the following paragraphs.

Toys Division

Compared to last year, the revenue of the Toys Division for the year ended 31 March 2022 increased by 23% from HK\$686 million to HK\$845 million. Nevertheless, the division experienced a very difficult trading environment. A global shortage of shipping containers led to shipment delays and a significant backlog of orders in the first half of the financial year. In addition, production has been severely disrupted by anti-Covid measures and electricity supply interruptions in Dongguan where our factories are located. Together with surging material and labour costs and the inability to immediately transfer the cost increase to customers, the division suffered an operating loss of HK\$75.6 million for the year as compared with an operating profit of HK\$16.7 million a year earlier.

Computer Products Division

Due to the strong sales of smart connected devices and motor actuator assemblies, the revenue of the Computer Products Division for the year under review surged 45% to HK\$132 million from HK\$91 million a year earlier. However, a global shortage of electronic components has led to long lead times and shipment delays. With higher revenue, the division's operating loss has shrunk to HK\$0.7 million from HK\$11.3 million in the previous year.

Timepieces Division

The Timepieces Division finished the financial year with a very satisfactory result. Driven by online sales and promotion programmes, the revenue of the division for the year ended 31 March 2022 soared 32% year-on-year from HK\$151 million to HK\$199 million. Coupled with stringent measures taken to control operating costs, the division's operating profit for the year increased substantially to HK\$24.9 million from HK\$11.1 million last year.

Other Investments

For the year ended 31 March 2022, the Group recognised net realised and unrealised losses on trading securities of HK\$6.6 million (2021: gains of HK\$18.7 million). The dividend income on trading securities amounted to HK\$1.8 million for the year (2021: HK\$1.3 million). At 31 March 2022, the Group's trading securities amounted to HK\$85 million, a decrease of HK\$7 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 2022, the total assets amounted to HK\$972 million (2021: HK\$948 million) which were financed by current liabilities of HK\$294 million (2021: HK\$188 million), non-current liabilities of HK\$47 million (2021: HK\$41 million), non-controlling interests of HK\$14 million (2021: HK\$12 million) and equity attributable to the Company's equity shareholders of HK\$617 million (2021: HK\$707 million).

At 31 March 2022, the Group's cash balances aggregated to HK\$91 million, down from HK\$171 million a year ago. The current assets at 31 March 2022 amounted to HK\$580 million (2021: HK\$574 million). The inventories increased from HK\$146 million to HK\$255 million while the trade and other receivables decreased from HK\$162 million to HK\$147 million. The trading securities at 31 March 2022 amounted to HK\$85 million (2021: HK\$92 million).

At 31 March 2022, the Group's current liabilities increased to HK\$294 million from HK\$188 million last year. The bank loans amounted to HK\$54 million (2021: HK\$1 million) which included revolving loans of HK\$54 million (2021: Nil) and a mortgage loan balance of Nil (2021: HK\$1 million). The mortgage loan balance was repaid in fixed monthly instalments and matured in August 2021. Certain trading securities and bank deposits amounting to HK\$84 million (2021: HK\$92 million), along with certain properties with a carrying amount of HK\$49 million (2021: HK\$52 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 2022 was 35% (2021: 24%). At 31 March 2022, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 1.97 as compared to 3.05 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, decreased to 0.71 from 1.52 in the previous year.

CONTINGENT LIABILITIES

As at 31 March 2022, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange risks primarily through sales and purchases that are denominated in a foreign currency, such as Renminbi, United States dollars and Pound Sterling. Management monitors the Group's exposure to currency risk and will consider hedging significant foreign currency exposure should the need arises.

PROSPECTS AND GENERAL OUTLOOK

Notwithstanding the disappointing results in the year ended 31 March 2022, the sales orders of the Toys Division at the end of May 2022 surged approximately 36% from those at the same time last year. Together with price increases and productivity improvement, the management is confident that the division will return to profitability in the first half of the new financial year. The outlook for the Computer Products Division appears positive. Smart connected devices will remain the major products of the division in the new financial year and the management believes that the growth of this business can be

sustained. Meanwhile, with the benefit of strong online sales, the business of the Timepieces Division will remain robust. The division is also exploring opportunities to introduce new brands to the markets.

As more countries have adopted a “live with Covid” strategy by reopening borders and easing social distancing measures, it is expected that the global economy will continue to recover in 2022. However, there remains a lot of uncertainty around aggressive interest rate hikes, soaring inflation, geopolitical tensions and Covid-19 that might derail the global economic recovery. Despite the uncertain environment, the management is optimistic about the results of the Group in the financial year ending 31 March 2023.

DIVIDEND

At the forthcoming Annual General Meeting to be held on 16 September 2022, the directors will recommend a final dividend of HK3 cents per share (2021: HK3 cents). Together with the interim dividend of HK3 cents (2021: HK3 cents), the dividend payment for the year of HK6 cents (2021: HK6 cents) would represent an annual return of 10.0% (2021: 9.5%) on the Company’s average share price of HK\$0.60 (2021: HK\$0.63) in the year ended 31 March 2022.

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 2022, 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, 16 September 2022. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 13 September 2022 to Friday, 16 September 2022, 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 (if the transfer will be lodged before 15 August 2022), or 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (if the transfer will be lodged on or after 15 August 2022) for registration no later than 4:30 p.m. on Friday, 9 September 2022.

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, 28 September 2022. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 27 September 2022 to Wednesday, 28 September 2022, 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, 26 September 2022. The payment of final dividend, if approved at the Annual General Meeting, will be made on Wednesday, 12 October 2022.

EMPLOYEES

As at 31 March 2022, the number of employees of the Group was approximately 141 in Hong Kong, 5,854 in Mainland China and 31 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, including both continuing and discontinued operations, amounted to HK\$453,279,000 (2021: HK\$348,358,000).

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 2022.

AUDIT COMMITTEE

The audit committee reports to the Board and currently comprises three independent non-executive directors, namely Dr Ng Tze Kin, David, being the chairman, Mr Lie-A-Cheong Tai Chong, David and Mr Yeh Man Chun, Kent. The audit committee meets with the Group's senior management and external auditors regularly to discuss audit matters. The audit committee also reviews the effectiveness of the risk management and internal control systems. The annual results of the Group have been reviewed by the audit committee of the Company.

REMUNERATION COMMITTEE

The Company has established a remuneration committee which currently comprises two independent non-executive directors, namely Dr Ng Tze Kin, David, being the chairman, and Mr Yeh Man Chun, Kent and one executive director, namely Mr Shum Kam Hung. The terms of reference of the remuneration committee have been included on the Company's website.

NOMINATION COMMITTEE

The nomination committee consists of two executive directors, namely Mr Robert Dorfman, being the chairman, and Dr Cheung Tsang Kay, Stan and three independent non-executive directors, namely Mr Lie-A-Cheong Tai Chong, David, Mr Yeh Man Chun, Kent and Dr Ng Tze Kin, David. The primary roles of the nomination committee are to determine the policy for the nomination of directors, to review the structure, size and composition of the Board and to make recommendations to the Board on the appointment or re-appointment of directors.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2022 except that the independent non-executive directors are not appointed for a specific term, which deviates from the code provision A.4.1. However, the 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 code provision A.4.1 was deleted from the new Corporate Governance Code which became effective from 1 January 2022.

MODEL CODE OF SECURITIES TRANSACTIONS

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 to 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 2022 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
Robert Dorfman
Chairman

Hong Kong, 29 June 2022

As at the date of this announcement, the Board of Directors of the Company comprises Mr Robert Dorfman, Mr Shum Kam Hung and Dr Cheung Tsang Kay, Stan as executive directors; and Mr Lie-A-Cheong Tai Chong, David, Mr Yeh Man Chun, Kent and Dr Ng Tze Kin, David as independent non-executive directors.

**For identification only*