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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 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

	Note	2023 HK\$'000	2022 HK\$'000
<b>Revenue</b>	3 & 4	<b>1,262,978</b>	1,175,142
Cost of sales		<u>(963,211)</u>	<u>(1,055,156)</u>
<b>Gross profit</b>		<b>299,767</b>	119,986
Other revenue	5	<b>10,317</b>	11,861
Other net income/(loss)	5	<b>15,644</b>	(5,915)
Selling expenses		<b>(10,181)</b>	(11,414)
Administrative expenses		<b>(196,351)</b>	(183,264)
Net valuation gains on investment properties		<u>1,761</u>	<u>4,203</u>
<b>Profit/(loss) from operations</b>		<b>120,957</b>	(64,543)
Finance costs	6(a)	<u>(3,078)</u>	<u>(2,157)</u>
<b>Profit/(loss) before taxation</b>	6	<b>117,879</b>	(66,700)
Income tax	7	<u>(35,591)</u>	<u>7,511</u>
<b>Profit/(loss) for the year</b>		<u><b>82,288</b></u>	<u>(59,189)</u>

	Note	2023 HK\$'000	2022 HK\$'000
<b>Attributable to:</b>			
Equity shareholders of the Company		82,327	(61,147)
Non-controlling interests		<u>(39)</u>	<u>1,958</u>
<b>Profit/(loss) for the year</b>		<b><u>82,288</u></b>	<b><u>(59,189)</u></b>
<b>Earnings/(loss) per share</b>			
	9		
Basic (HK cents)		<u>13.62</u>	<u>(10.12)</u>
Diluted (HK cents)		<u>13.62</u>	<u>(10.12)</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 2023**

	2023 HK\$'000	2022 HK\$'000
<b>Profit/(loss) for the year</b>	<b>82,288</b>	<b>(59,189)</b>
<b>Other comprehensive income for the year</b>		
<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
<b>Other comprehensive income for the year</b>	<b>(21,156)</b>	<b>7,714</b>
<b>Total comprehensive income for the year</b>	<b>61,132</b>	<b>(51,475)</b>
<b>Attributable to:</b>		
Equity shareholders of the Company	61,615	(53,476)
Non-controlling interests	(483)	2,001
<b>Total comprehensive income for the year</b>	<b>61,132</b>	<b>(51,475)</b>

## Consolidated statement of financial position

At 31 March 2023

	Note	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>			
Investment properties		103,733	109,147
Other property, plant and equipment		206,992	246,493
		<u>310,725</u>	<u>355,640</u>
Intangible assets		988	1,022
Other financial assets		2,300	4,250
Deferred tax assets		4,106	31,851
		<u>318,119</u>	<u>392,763</u>
<b>Current assets</b>			
Trading securities		80,429	85,439
Inventories		184,237	254,866
Trade and other receivables	10	149,443	146,922
Pledged bank balances		947	990
Cash and cash equivalents		170,330	89,764
Current tax recoverable		-	1,719
		<u>585,386</u>	<u>579,700</u>
<b>Current liabilities</b>			
Trade and other payables and contract liabilities	11	148,267	209,994
Bank loans		10,000	54,032
Lease liabilities		5,806	3,902
Current tax payable		32,695	26,131
		<u>196,768</u>	<u>294,059</u>
<b>Net current assets</b>		<u>388,618</u>	<u>285,641</u>
<b>Total assets less current liabilities</b>		<u>706,737</u>	<u>678,404</u>

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

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 2023 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 2023 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 HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. The Group has applied the following amendments to HKFRSs issued by the HKICPA for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3. Revenue

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

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

	2023 HK\$'000	2022 HK\$'000
<b>Revenue from sale of goods within the scope of HKFRS 15</b>		
Disaggregated by major product lines		
– Toys	973,458	844,728
– Computer products	126,546	131,662
– Timepieces	162,974	198,752
	<u>1,262,978</u>	<u>1,175,142</u>

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

The Group's customer base includes two (2022: one) customer with whom transactions have exceeded 10% of the Group's revenue. During the year, revenue from sales of toys to these two customers amounted to approximately HK\$648,700,000 and HK\$156,300,000 respectively (2022: one customer of HK\$672,800,000). 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 five 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.

##### (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 2023 and 2022 is set out below:

	<b>2023</b>					Total HK\$'000
	Toys HK\$'000	Computer products HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	
Revenue from external customers	973,458	126,546	162,974	-	-	1,262,978
Inter-segment revenue	-	-	-	-	3,428	3,428
<b>Reportable segment revenue</b>	<b>973,458</b>	<b>126,546</b>	<b>162,974</b>	<b>-</b>	<b>3,428</b>	<b>1,266,406</b>
<b>Reportable segment profit/(loss) (Note)</b>	<b>101,853</b>	<b>(2,736)</b>	<b>14,211</b>	<b>(4,994)</b>	<b>26,238</b>	<b>134,572</b>
Interest income	229	52	5	-	42	328
Interest expense	(2,058)	-	(159)	-	-	(2,217)
Depreciation and amortisation for the year	(36,288)	(2,343)	(2,398)	-	(5,425)	(46,454)
<b>Reportable segment assets</b>	<b>398,703</b>	<b>114,643</b>	<b>105,247</b>	<b>83,676</b>	<b>149,616</b>	<b>851,885</b>
Additions to non-current segment assets during the year	10,242	421	1,123	-	5,641	17,427
<b>Reportable segment liabilities</b>	<b>132,018</b>	<b>12,511</b>	<b>21,569</b>	<b>-</b>	<b>1,815</b>	<b>167,913</b>

## 2022

	Toys HK\$'000	Computer products HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	Total 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	<u>844,728</u>	<u>131,662</u>	<u>198,752</u>	<u>-</u>	<u>2,762</u>	<u>1,177,904</u>
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	<u>(19,118)</u>	<u>(2,908)</u>	<u>(2,751)</u>	<u>-</u>	<u>(6,059)</u>	<u>(30,836)</u>
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	<u>205,316</u>	<u>22,936</u>	<u>27,954</u>	<u>-</u>	<u>1,743</u>	<u>257,949</u>

Note : During the year ended 31 March 2023, a property under Others segment was disposed and a gain on disposal of HK\$22,468,000 (2022: HK\$Nil) was recognised and included in segment results above.

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

	2023 HK\$'000	2022 HK\$'000
<b>Revenue</b>		
Reportable segment revenue	1,266,406	1,177,904
Elimination of inter-segment revenue	<u>(3,428)</u>	<u>(2,762)</u>
Consolidated revenue	<u>1,262,978</u>	<u>1,175,142</u>
<b>Profit/(loss)</b>		
Reportable segment profit/(loss)	134,572	(50,902)
Unallocated corporate expenses	<u>(16,693)</u>	<u>(15,798)</u>
Consolidated profit/(loss) before taxation	<u>117,879</u>	<u>(66,700)</u>
<b>Interest income</b>		
Reportable segment interest income	328	275
Unallocated corporate interest income	<u>308</u>	<u>431</u>
Consolidated interest income	<u>636</u>	<u>706</u>
<b>Interest expense</b>		
Reportable segment interest expense	2,217	1,887
Unallocated corporate interest expense	<u>861</u>	<u>270</u>
Consolidated interest expense	<u>3,078</u>	<u>2,157</u>
<b>Assets</b>		
Reportable segment assets	851,885	907,763
Elimination of inter-segment receivables	<u>-</u>	<u>(165)</u>
	851,885	907,598
Current tax recoverable	-	1,719
Deferred tax assets	4,106	31,851
Unallocated corporate assets	<u>47,514</u>	<u>31,295</u>
Consolidated total assets	<u>903,505</u>	<u>972,463</u>
<b>Liabilities</b>		
Reportable segment liabilities	167,913	257,949
Elimination of inter-segment payables	<u>-</u>	<u>(165)</u>
	167,913	257,784
Current tax payable	32,695	26,131
Deferred tax liabilities	36,249	38,068
Unallocated corporate liabilities	<u>10,946</u>	<u>19,640</u>
Consolidated total liabilities	<u>247,803</u>	<u>341,623</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 and intangible assets ("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.

	Revenue from external customers		Specific non-current assets	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Hong Kong (place of domicile)	<b>130,189</b>	91,433	<b>71,388</b>	73,233
North America	<b>731,685</b>	645,617	-	-
United Kingdom	<b>130,557</b>	135,100	<b>13,040</b>	15,669
Europe (excluding United Kingdom)	<b>113,276</b>	112,494	-	-
Asia (excluding Mainland China and Hong Kong)	<b>28,480</b>	53,052	-	-
Mainland China	<b>50,852</b>	63,532	<b>227,285</b>	267,760
Others	<b>77,939</b>	73,914	-	-
	<b>1,132,789</b>	1,083,709	<b>240,325</b>	283,429
	<b>1,262,978</b>	1,175,142	<b>311,713</b>	356,662

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

	2023 HK\$'000	2022 HK\$'000
<b>Other revenue</b>		
Rental income	5,281	5,399
Dividend income from listed securities	1,953	1,805
Forfeiture of advance payments from customers	967	1,128
Sales of scrap materials	900	1,495
Interest income from deposits with banks	636	706
Covid-19-related rent concessions	-	408
Others	580	920
	<u>10,317</u>	<u>11,861</u>
<b>Other net income/(loss)</b>		
Net gain on disposal of property, plant and equipment	22,610	344
Net foreign exchange (loss)/gain	(3,342)	474
Net realised and unrealised losses on trading securities	(4,997)	(6,603)
Change in fair value of other financial assets	(1,950)	-
Gain on deregistration of subsidiary	3,044	-
(Loss)/gain on early termination of leases	(6)	1
Others	285	(131)
	<u>15,644</u>	<u>(5,915)</u>

## 6. Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging/(crediting):

	2023 HK\$'000	2022 HK\$'000
<b>(a) Finance costs</b>		
Interest on bank loans and other borrowings	2,335	1,711
Interest on lease liabilities	743	446
	<u>3,078</u>	<u>2,157</u>
<b>(b) Other items</b>		
Amortisation of intangible assets	34	34
Cost of inventories	963,211	1,055,156
Depreciation		
- owned property, plant and equipment	33,962	18,204
- right-of-use assets	12,458	12,598
Impairment losses on trade debtors	272	153
Impairment loss on other receivables	-	591
Rentals receivable from investment properties less direct outgoings of HK\$102,000 (2022: HK\$53,000)	(5,179)	(5,346)

## 7. Income tax

	2023 HK\$'000	2022 HK\$'000
Hong Kong Profits Tax	5,006	124
Taxation outside Hong Kong	3,620	4,331
Deferred tax	26,965	(11,966)
	<u>35,591</u>	<u>(7,511)</u>

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 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

	2023 HK\$'000	2022 HK\$'000
Interim dividend declared and paid of HK3 cents (2022: HK3 cents) per share	18,135	18,135
Final dividend proposed after the end of the reporting period of HK3 cents (2022: HK3 cents) per share	18,135	18,135
	<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. Earnings/(loss) per share

### (a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of HK\$82,327,000 (2022: loss of HK\$61,147,000) and the weighted average number of shares of 604,491,000 (2022: 604,491,000) in issue during the year.

### (b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for the years ended 31 March 2023 and 2022 are same as the basic earnings/(loss) per share as the share options outstanding during the year had an anti-dilutive effect on the basic earnings/(loss) 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:

	<b>At 31 March 2023 HK\$'000</b>	At 31 March 2022 HK\$'000
Within 3 months	<b>118,506</b>	112,366
4 to 6 months	<b>4,917</b>	3,269
7 to 12 months	-	4,658
13 to 24 months	<b>10</b>	24
	<hr/>	<hr/>
Trade debtors and bills receivable, net of loss allowance	<b>123,433</b>	120,317
Deposits, prepayments and other receivables	<b>26,010</b>	26,605
	<hr/>	<hr/>
	<b>149,443</b>	146,922
	<hr/>	<hr/>

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:

	<b>At 31 March 2023 HK\$'000</b>	At 31 March 2022 HK\$'000
Within 1 month	<b>9,453</b>	22,878
Over 1 month but within 3 months	<b>3,789</b>	10,174
Over 3 months	<b>1,441</b>	3,348
	<hr/>	<hr/>
Trade creditors and bills payable	<b>14,683</b>	36,400
Accruals and other payables	<b>124,340</b>	164,314
	<hr/>	<hr/>
	<b>139,023</b>	200,714
Contract liabilities		
- forward sales deposits	<b>9,244</b>	9,280
	<hr/>	<hr/>
	<b>148,267</b>	209,994
	<hr/>	<hr/>

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

## 12. 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 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.

## **CONTINGENT LIABILITIES**

As at 31 March 2023, 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**

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.

## **EMPLOYEES**

As at 31 March 2023, the number of employees of the Group was approximately 138 in Hong Kong, 3,078 in Mainland China and 33 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 amounted to HK\$409,397,000 (2022: HK\$453,279,000).

## **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 2023.

## **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 2023.

## **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](http://www.hkex.com.hk)) and the Company's website ([www.heraldgroup.com.hk](http://www.heraldgroup.com.hk)). The 2023 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 2023

*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*