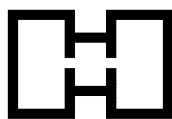


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HERALD HOLDINGS LIMITED

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 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

	Note	2021 HK\$'000	2020 HK\$'000 (Restated)
Continuing operations			
Revenue	3 & 4	927,775	946,242
Cost of sales		<u>(733,716)</u>	<u>(746,242)</u>
Gross profit		194,059	200,000
Other revenue	5	5,117	5,540
Other net income	5	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>
Profit from operations		24,493	33,336
Finance costs	6(a)	<u>(795)</u>	<u>(2,116)</u>
Profit before taxation	6	23,698	31,220
Income tax	7	<u>(3,953)</u>	<u>(12,887)</u>
Profit for the year from continuing operations		19,745	18,333
Discontinued operations			
Profit/(loss) for the year from discontinued operations	12	<u>14,002</u>	<u>(10,957)</u>
Profit for the year		<u>33,747</u>	<u>7,376</u>

	Note	2021 HK\$'000	2020 HK\$'000 (Restated)
Attributable to:			
Equity shareholders of the Company			
- Profit for the year from continuing operations		20,561	18,972
- Profit/(loss) for the year from discontinued operations	12	<u>13,360</u>	<u>(10,174)</u>
		<u>33,921</u>	<u>8,798</u>
Non-controlling interests			
- Loss for the year from continuing operations		(816)	(639)
- Profit/(loss) for the year from discontinued operations	12	<u>642</u>	<u>(783)</u>
		<u>(174)</u>	<u>(1,422)</u>
Profit for the year		<u><u>33,747</u></u>	<u><u>7,376</u></u>
Earnings/(loss) per share	9		
Basic (HK cents)			
- From continuing operations		3.40	3.14
- From discontinued operations		<u>2.21</u>	<u>(1.68)</u>
		<u>5.61</u>	<u>1.46</u>
Diluted (HK cents)			
- From continuing operations		3.40	3.14
- From discontinued operations		<u>2.21</u>	<u>(1.68)</u>
		<u>5.61</u>	<u>1.46</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 2021

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

Consolidated statement of financial position

At 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
Non-current assets			
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>
Current assets			
Trading securities		91,883	74,829
Inventories		146,120	148,834
Trade and other receivables	10	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>
Current liabilities			
Trade and other payables and contract liabilities	11	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>
Net current assets		<u>386,071</u>	<u>357,523</u>
Total assets less current liabilities		<u>760,025</u>	<u>702,765</u>

	Note	2021 HK\$'000	2020 HK\$'000
Non-current liabilities			
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>
NET ASSETS		<u>718,585</u>	<u>679,855</u>
CAPITAL AND RESERVES			
Share capital		47,150	47,150
Reserves		659,666	625,286
Total equity attributable to equity shareholders of the Company		706,816	672,436
Non-controlling interests		11,769	7,419
TOTAL EQUITY		718,585	679,855

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 2021 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 2021 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* 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*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the 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 2020.

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	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
Revenue from sale of goods within the scope of HKFRS 15				
Disaggregated by major product lines				
– Toys	685,620	708,594	-	-
– Computer products	91,427	108,772	-	-
– Timepieces	150,728	128,876	-	-
– Housewares	-	-	84,311	65,628
	927,775	946,242	84,311	65,628

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

The Group’s customer base includes one (2020: 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\$557,100,000 (2020: HK\$547,900,000). 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 2021 and 2020 is set out below:

	2021							Total HK\$'000
	Toys HK\$'000	Computer products HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	Continuing operations Sub-total HK\$'000	Housewares – discontinued operations 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	686,299	91,427	150,728	-	2,841	931,295	84,311	1,015,606
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

2020 (Restated)

	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	708,594	108,772	128,876	-	-	946,242	65,628	1,011,870
Inter-segment revenue	683	-	-	-	2,540	3,223	-	3,223
Reportable segment revenue	709,277	108,772	128,876	-	2,540	949,465	65,628	1,015,093
Reportable segment profit/(loss) (note)	38,069	(6,572)	3,891	(8,691)	27,813	54,510	(9,457)	45,053
Interest income	85	238	53	178	3	557	8	565
Interest expense	(1,171)	(19)	(93)	-	(139)	(1,422)	-	(1,422)
Depreciation and amortisation for the year	(18,308)	(4,030)	(3,207)	-	(5,150)	(30,695)	(859)	(31,554)
Reportable segment assets	361,176	125,369	98,417	78,149	105,239	768,350	58,591	826,941
Additions to non-current segment assets during the year	3,278	578	792	-	4,559	9,207	161	9,368
Reportable segment liabilities	102,185	11,931	21,955	-	4,102	140,173	26,498	166,671

Note : During the year ended 31 March 2020, a property under others segment was disposed and a gain on disposal of HK\$29,442,000 was recognised and included in segment results above.

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

	2021 HK\$'000	2020 HK\$'000 (Restated)
Revenue		
Reportable segment revenue	1,015,606	1,015,093
Elimination of inter-segment revenue	(3,520)	(3,223)
Elimination of discontinued operations	(84,311)	(65,628)
Consolidated revenue	<u>927,775</u>	<u>946,242</u>
Profit		
Reportable segment profit	50,436	45,053
Elimination of discontinued operations	(14,346)	9,457
Unallocated corporate expenses	(12,392)	(23,290)
Consolidated profit before taxation	<u>23,698</u>	<u>31,220</u>
Interest income		
Reportable segment interest income	152	565
Elimination of discontinued operations	(8)	(8)
Unallocated corporate interest income	360	846
Consolidated interest income	<u>504</u>	<u>1,403</u>
Interest expense		
Reportable segment interest expense	505	1,422
Unallocated corporate interest expense	290	694
Consolidated interest expense	<u>795</u>	<u>2,116</u>
Assets		
Reportable segment assets	894,972	826,941
Elimination of inter-segment receivables	(19,082)	(19,313)
	<u>875,890</u>	<u>807,628</u>
Current tax recoverable	3,469	185
Deferred tax assets	17,077	14,438
Unallocated corporate assets	51,910	53,974
Consolidated total assets	<u>948,346</u>	<u>876,225</u>
Liabilities		
Reportable segment liabilities	184,660	166,671
Elimination of inter-segment payables	(19,082)	(19,313)
	<u>165,578</u>	<u>147,358</u>
Current tax payable	21,012	22,803
Deferred tax liabilities	34,714	16,805
Unallocated corporate liabilities	8,457	9,404
Consolidated total liabilities	<u>229,761</u>	<u>196,370</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		2021	2020
	2021	2020	2021	2020		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)		
Hong Kong (place of domicile)	72,437	77,948	–	–	73,802	79,458
North America	508,537	495,639	–	–	–	–
United Kingdom	108,731	104,859	83,206	64,148	15,045	22,265
Europe (excluding United Kingdom)	106,843	109,004	1,048	1,267	–	–
Asia (excluding Mainland China and Hong Kong)	25,911	36,758	–	–	–	–
Mainland China	52,813	65,998	57	213	265,730	226,781
Others	52,503	56,036	–	–	–	–
	855,338	868,294	84,311	65,628	280,775	249,046
	927,775	946,242	84,311	65,628	354,577	328,504

5. Other revenue and other net income

	2021 HK\$'000	2020 HK\$'000 (Restated)
Other revenue		
Interest income from deposits with banks	500	1,121
Interest income from trading securities	-	178
Interest income from debtors	4	104
Rental income	650	561
Dividend income from listed securities	1,349	1,955
Sales of scrap materials	769	1,054
Covid-19-related rent concessions	1,061	-
Others	784	567
	<u>5,117</u>	<u>5,540</u>
Other net income		
Net gain on disposal of property, plant and equipment	38	31,130
Gain on early termination of leases	10	-
Net foreign exchange loss	(566)	(656)
Net realised and unrealised gains/(loss) on trading securities	18,735	(10,824)
Loss on deregistration of a subsidiary	-	(348)
Others	16	(470)
	<u>18,233</u>	<u>18,832</u>

6. Profit before taxation

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

	2021 HK\$'000	2020 HK\$'000 (Restated)
(a) Finance costs		
Interest on bank loans and other borrowings	438	1,673
Interest on lease liabilities	357	443
	<u>795</u>	<u>2,116</u>
(b) Other items		
Amortisation of intangible assets	34	34
Cost of inventories	733,716	746,242
Depreciation		
- owned property, plant and equipment	18,428	18,105
- right-of-use assets	13,194	12,556
Reversal of impairment losses on trade debtors	(1,375)	(3,138)
Impairment loss on other receivables	2,197	-
Rentals receivable from investment properties less direct outgoings of HK\$58,000 (2020: HK\$51,000)	(592)	(510)
	<u>(592)</u>	<u>(510)</u>

7. Income tax

	2021 HK\$'000	2020 HK\$'000 (Restated)
Hong Kong Profits Tax	2,466	3,795
Taxation outside Hong Kong	1,817	4,187
Deferred tax	(330)	4,905
	<u>3,953</u>	<u>12,887</u>

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 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

	2021 HK\$'000	2020 HK\$'000
Interim dividend declared and paid of HK3 cents (2020: HK2 cents) per share	18,135	12,090
Final dividend proposed after the end of the reporting period of HK3 cents (2020: HK3 cents) per share	18,135	18,135
	<u>36,270</u>	<u>30,225</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 and the weighted average number of shares of 604,491,000 (2020: 604,491,000) in issue during the year.

	2021 HK\$'000	2020 HK\$'000 (Restated)
Profit/(loss) attributable to equity shareholders of the Company arises from:		
- Continuing operations	20,561	18,972
- Discontinued operations	13,360	(10,174)
	<u>33,921</u>	<u>8,798</u>

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for the years ended 31 March 2021 and 2020 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:

	At 31 March 2021 HK\$'000	At 31 March 2020 HK\$'000
Within 3 months	114,540	86,942
4 to 6 months	1,963	6,683
7 to 12 months	6	290
13 to 24 months	228	12
Trade debtors and bills receivable, net of loss allowance	116,737	93,927
Deposits, prepayments and other receivables	45,223	22,217
	161,960	116,144

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 2021 HK\$'000	At 31 March 2020 HK\$'000
Within 1 month	14,079	14,936
Over 1 month but within 3 months	6,919	5,173
Over 3 months	1,544	2,314
Trade creditors and bills payable	22,542	22,423
Accruals and other payables	130,696	114,230
	153,238	136,653
Contract liabilities - forward sales deposits	8,520	5,033
	161,758	141,686

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 is considered as a separate major line of business, the corresponding operations have been classified as discontinued operations as a result of the cessation of operations of this segment.

The results of the discontinued operations for the years ended 31 March 2021 and 2020 are set out below:

	2021 HK\$'000	2020 HK\$'000
Revenue	84,311	65,628
Cost of sales	<u>(67,580)</u>	(53,829)
Gross profit	16,731	11,799
Other revenue	2,858	2,114
Other net income/(loss)	9,921	(1,671)
Selling expenses	(2,753)	(3,872)
Administrative expenses	(14,472)	(17,827)
Valuation gains on investment properties	2,061	–
Profit/(loss) before taxation	14,346	(9,457)
Income tax	<u>(344)</u>	(1,500)
Profit/(loss) for the year from discontinued operations	<u>14,002</u>	<u>(10,957)</u>
Attributable to:		
Equity shareholders of the Company	13,360	(10,174)
Non-controlling interests	<u>642</u>	(783)
	<u>14,002</u>	<u>(10,957)</u>
Cash flows		
Operating cash inflows	7,497	3,860
Investing cash inflows	8	8
Financing cash outflows	<u>(9,750)</u>	(408)
Net cash (outflows)/inflows	<u>(2,245)</u>	<u>3,460</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.

14. Comparative figures

Certain comparative figures have been adjusted to conform to the disclosure requirement in respect of the discontinued operations set out in note 12. Accordingly, the comparative figures in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income have been restated as if the operations discontinued during the current year had been discontinued at the beginning of the prior year.

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.

CONTINGENT LIABILITIES

As at 31 March 2021, 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.

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.

EMPLOYEES

As at 31 March 2021, the number of employees of the Group was approximately 141 in Hong Kong, 3,948 in Mainland China and 34 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\$348,358,000 (2020: HK\$363,655,000).

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 2021.

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 2021 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.

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 2021 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 2021

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*