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**CHINA-HONGKONG PHOTO PRODUCTS HOLDINGS LIMITED**  
**中港照相器材集團有限公司**  
(Incorporated in Bermuda with limited liability)  
(Stock Code: 1123)

## **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021**

### **HIGHLIGHTS**

- Revenue increased by 4.1% to HK\$917 million (FY2019/20: HK\$880 million)
- Net profit attributable to shareholders of the Company was HK\$33.6 million (against a net loss of HK\$29.1 million in FY2019/20)
- Earnings per share amounted to 2.84 HK cents (FY2019/20 loss per share: 2.45 HK cents)
- The Board of Directors recommends the payment of a final dividend of 1 HK cent per ordinary share (FY2019/20: Nil)

The Board of Directors (the “Board”) of China-Hongkong Photo Products Holdings Limited (the “Company”) presents the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2021 with comparative figures for the previous year as follows.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2021

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Revenue	2	<b>916,750</b>	880,298
Cost of sales	3	<b>(722,546)</b>	(685,266)
<b>Gross profit</b>		<b>194,204</b>	195,032
Other income and gains	2	<b>45,729</b>	22,559
Changes in fair value of investment properties		<b>19,381</b>	(3,587)
Selling and distribution costs	3	<b>(128,503)</b>	(141,633)
Advertising and marketing expenses	3	<b>(12,643)</b>	(13,163)
Administrative expenses	3	<b>(77,835)</b>	(83,696)
Impairment loss on property, plant and equipment and right-of-use assets		<b>(3,008)</b>	(8,187)
<b>Operating profit/(loss)</b>		<b>37,325</b>	(32,675)
Interest expense on lease liabilities		<b>(2,853)</b>	(3,379)
Share of results of an associate		-	-
<b>Profit/(loss) before income tax</b>		<b>34,472</b>	(36,054)
Income tax (expense)/credit	4	<b>(2,524)</b>	4,335
Profit/(loss) for the year		<b>31,948</b>	(31,719)
Profit/(loss) attributable to:			
Owners of the Company		<b>33,635</b>	(29,093)
Non-controlling interests		<b>(1,687)</b>	(2,626)
		<b>31,948</b>	(31,719)
Earnings/(loss) per share attributable to owners of the Company for the year	5		
Basic		<b>2.84 HK cents</b>	(2.45 HK cents)
Diluted		<b>2.84 HK cents</b>	(2.45 HK cents)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	2021 HK\$'000	2020 HK\$'000
<b>Profit/(loss) for the year</b>	<b>31,948</b>	<b>(31,719)</b>
<b>Other comprehensive income/(loss):</b>		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	3,307	(2,565)
<i>Item that will not be reclassified to profit or loss</i>		
Gains on revaluation of property	–	2,859
<i>Item that has been reclassified to profit or loss</i>		
Realisation of accumulated exchange differences upon liquidation of a subsidiary	–	92
<b>Other comprehensive income for the year</b>	<b>3,307</b>	<b>386</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>35,255</b>	<b>(31,333)</b>
Attributable to:		
Owners of the Company	36,942	(28,707)
Non-controlling interests	(1,687)	(2,626)
	<b>35,255</b>	<b>(31,333)</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		33,664	38,582
Investment properties		245,507	225,436
Right-of-use assets		93,270	101,507
Deposits		12,267	12,354
Deferred tax assets		118	174
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>384,826</b>	<b>378,053</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Current assets</b>			
Inventories		111,140	169,508
Contract assets		4,854	2,035
Trade receivables	7	45,830	43,675
Amount due from an associate		–	–
Prepayments, deposits and other receivables		41,131	32,545
Tax recoverable		302	232
Cash and bank balances		282,663	197,314
		<hr/>	<hr/>
<b>Total current assets</b>		<b>485,920</b>	<b>445,309</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Total assets</b>		<b>870,746</b>	<b>823,362</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		118,532	118,532
Reserves		525,483	488,541
		<hr/>	<hr/>
		<b>644,015</b>	<b>607,073</b>
Non-controlling interests		(229)	1,458
		<hr/>	<hr/>
<b>Total equity</b>		<b>643,786</b>	<b>608,531</b>
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Accrued liabilities		2,792	5,778
Lease liabilities		30,921	34,191
Deferred tax liabilities		29,595	27,413
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>63,308</b>	67,382
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and bills payables	8	53,454	44,511
Contract liabilities		20,101	11,972
Accrued liabilities and other payables		44,045	40,040
Lease liabilities		38,116	43,329
Tax payable		7,936	7,597
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>163,652</b>	147,449
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>226,960</b>	214,831
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>870,746</b>	823,362
		<hr/>	<hr/>
<b>Net current assets</b>		<b>322,268</b>	297,860
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>707,094</b>	675,913
		<hr/>	<hr/>

*NOTE:*

**1 BASIS OF PREPARATION**

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and disclosure requirements of the Hong Kong Companies Ordinance (“HKCO”) Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of investment properties, which are measured at fair value.

**(a) Amended standards and revised conceptual framework adopted by the Group**

The Group has applied the following amendments and revised conceptual framework which are mandatory for the financial year beginning 1 April 2020 and are relevant to its operations.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendments to HKFRS 3	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The amendments and conceptual framework listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

**(b) New standards, amendments to existing standards, annual improvements, guideline and interpretation that have been issued but are not yet effective and have not been early adopted by the Group**

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Annual Improvements	Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023

The Group has already commenced an assessment of the impact of the above new and amended standards, annual improvements, guideline and interpretation and does not expect that they would have any significant impact to its results of operation and financial position. The Group will apply the above new standards and amendments when they become effective.

## 2 REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents (i) the net invoiced value of goods sold, after allowances for returns and trade discounts; and (ii) income from the rendering of technical services for photographic developing and processing products, imaging solution, professional audio-visual ("AV") advisory and custom design and installation services.

An analysis of revenue, other income and gains is as follows:

	2021 HK\$'000	2020 HK\$'000
<b>Revenue</b>		
Sale of goods	791,689	721,770
Income from the rendering of services	125,061	158,528
	<u>916,750</u>	<u>880,298</u>
	2021 HK\$'000	2020 HK\$'000
<b>Other income and gains</b>		
Interest income on bank deposits	1,359	1,922
Gross rental income from investment properties	7,930	7,335
Marketing subsidy	5,208	8,113
Rental income from equipment	814	1,050
Rent concessions from lessors	2,702	1,795
Government grants		
– Employment Support Scheme (i)	21,601	–
– Retail Sector Subsidy Scheme (ii)	3,800	–
– Other government grants	50	–
Others	2,265	2,344
	<u>45,729</u>	<u>22,559</u>

*Note:*

- (i) The amount represents salaries and wages subsidies granted under Anti-epidemic Fund launched by the Government of the Hong Kong Special Administrative Region for the use of paying wages of employees from June to November 2020.
- (ii) The amount represents government subsidies granted under Anti-epidemic Fund launched by the Government of the Hong Kong Special Administrative Region for subsidising retail stores' operation.



### 3 EXPENSES BY NATURE

	2021 HK\$'000	2020 HK\$'000
Cost of inventories sold	654,854	598,515
Cost of services provided	34,070	40,733
Auditor's remuneration		
Audit services	1,000	1,200
Non-audit services	613	672
Depreciation of property, plant and equipment	15,520	15,598
Depreciation of right-of-use assets	45,337	55,661
Advertising and marketing expenses	12,425	12,198
Short-term lease payments	1,252	752
Variable lease payments	6,900	4,686
Losses on disposals of property, plant and equipment	7	236
(Reversal of provision)/provision for inventories	(4,188)	2,627
Impairment losses on financial assets	370	–
Legal and professional fee	1,728	2,254
Employee benefit expense	117,650	121,059
Foreign exchange differences, net	(2,304)	2,700
Others	56,293	64,867
	<hr/>	<hr/>
Total cost of sales, selling and distribution costs, advertising and marketing expenses and administrative expenses	<b>941,527</b>	<b>923,758</b>

#### 4 INCOME TAX EXPENSE/(CREDIT)

For the year ended 31 March 2021, Hong Kong profits tax has been provided for at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. For the year ended 31 March 2021, one (2020: one) subsidiary of the Group is entitled to this tax benefit. The profits of other Group entities incorporated in Hong Kong not qualifying for the two-tiered profit tax regime are continued to be taxed at the flat rate of 16.5%.

Taxation on profits assessable for the year in the People's Republic of China ("PRC") has been calculated at the rates of tax prevailing in the location in which the Group operates.

	2021 HK\$'000	2020 HK\$'000
Current tax – Hong Kong		
Charge for the year	249	432
Over provision in prior years ( <i>Note</i> )	(135)	(3,839)
Current tax – PRC		
Charge for the year	489	770
Deferred tax	603	(2,637)
	1,921	(1,698)
Income tax expense/(credit)	2,524	(4,335)

*Note:*

For the year ended 31 March 2020, the Group reversed the tax provision of approximately HK\$3,484,000 made in prior years in relation to the other income arising from waiver of other payables. Management have thoroughly revisited the situations and concluded that there were grounds for the reversal as the tax authority did not lodge any enquiry letter within the period of the statutory time framework.

## 5 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on:

	2021	2020
Profit/(loss) attributable to owners of the Company (HK\$'000)	<u>33,635</u>	<u>(29,093)</u>
Weighted average number of ordinary shares in issue	<u>1,185,318,349</u>	<u>1,185,318,349</u>
Basic earnings/(loss) per share (HK cents)	<u>2.84</u>	<u>(2.45)</u>

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 March 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

## 6 DIVIDENDS

The Board has recommended the payment of a final dividend of 1 HK cent per ordinary share (2020: Nil), amounting to an aggregate of approximately HK\$11,853,000 for the year ended 31 March 2021. The proposed final dividend for the year is subject to the approval by the shareholders of the Company in the forthcoming annual general meeting of the Company. These consolidated financial statements do not reflect this dividend payable.

## 7 TRADE RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	46,200	43,675
Less: impairment losses on trade receivables	<u>(370)</u>	<u>–</u>
Trade receivables – net	<u>45,830</u>	<u>43,675</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and the aging from billing.

The maximum exposure to credit risk is the carrying amounts of trade receivables the Group does not hold any collateral as security.

As at 31 March 2021 and 2020, due to the short-term nature of the current receivables, their carrying amounts are considered to be the same as their fair values and are denominated in HK\$.

The Group's trading terms with its customers are either on a cash basis or on credit. For credit sales, the credit period is generally 15 to 30 days, except for certain well-established customers where the terms are extended to 120 days. Each customer has a maximum credit limit pre-approved by senior management. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

As at 31 March 2021 and 2020, balances are relating to a large number of diversified customers.

The aging analysis of the trade receivables as at the end of the year, based on the invoice date and before loss allowances, is as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Up to 30 days	<b>39,447</b>	32,468
31 to 60 days	<b>4,521</b>	7,921
61 to 90 days	<b>576</b>	887
91 to 120 days	<b>726</b>	1,168
Over 120 days	<b>930</b>	1,231
	<b>46,200</b>	43,675

## 8 TRADE AND BILLS PAYABLES

An aging analysis of the trade and bills payables at the end of the year, based on the date of goods purchased and services rendered, is as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Within 3 months	<b>52,090</b>	42,386
Over 3 months	<b>1,364</b>	2,125
	<b>53,454</b>	44,511

The Group's trade and bills payables are non-interest-bearing and are normally settled on 30-day terms. The carrying amounts of the Group's trade and bills payables approximate to their fair values.

## 9 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (i) the merchandise segment engages in the marketing and distribution of photographic developing, processing and printing products and the sale of photographic merchandises, skincare products, consumer electronic products and household appliances;
- (ii) the service segment engages in the provision of technical services for photographic developing and processing products, imaging solution, professional AV advisory and custom design and installation services;
- (iii) the investment segment comprises the Group's businesses in investment properties and other investment businesses; and
- (iv) the corporate and others segment comprises the Group's corporate income and expense items.

The chief operating decision-maker of the Group has been identified as the Directors. The Directors monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before income tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before income tax except that interest income, finance cost and share of results of an associate are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, cash and bank balances and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted at cost plus a mark-up of approximately 0.00% to 41.89% (2020: 0.00% to 41.97%).

**(a) Operating segments**

	Merchandise		Service		Investment		Corporate and others		Eliminations		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>												
Sales to external customers												
- At a point in time	791,689	721,770	20,521	21,730	-	-	-	-	-	-	812,210	743,500
- Over time	-	-	104,540	136,798	-	-	-	-	-	-	104,540	136,798
Intersegment sales	40,704	61,747	4,282	4,379	-	-	-	-	(44,986)	(66,126)	-	-
Other income and gains	54,984	47,792	20,692	6,539	11,962	7,187	60,108	123	(103,376)	(41,004)	44,370	20,637
Changes in fair value of investment properties	-	-	-	-	19,381	(3,587)	-	-	-	-	19,381	(3,587)
<b>Total</b>	<b>887,377</b>	<b>831,309</b>	<b>150,035</b>	<b>169,446</b>	<b>31,343</b>	<b>3,600</b>	<b>60,108</b>	<b>123</b>	<b>(148,362)</b>	<b>(107,130)</b>	<b>980,501</b>	<b>897,348</b>
<b>Segment profit/(loss)</b>	<b>25,113</b>	<b>(15,350)</b>	<b>(8,998)</b>	<b>(11,319)</b>	<b>25,136</b>	<b>2,329</b>	<b>(5,285)</b>	<b>(10,257)</b>	<b>-</b>	<b>-</b>	<b>35,966</b>	<b>(34,597)</b>
Interest income											1,359	1,922
Finance cost											(2,853)	(3,379)
Profit/(loss) before income tax											34,472	(36,054)
Income tax (expense)/credit											(2,524)	4,335
Profit/(loss) for the year											31,948	(31,719)

	Merchandise		Service		Investment		Corporate and others		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets and liabilities</b>										
Segment assets	218,779	259,651	75,769	88,822	246,666	227,040	46,449	50,129	587,663	625,642
Unallocated assets									283,083	197,720
Total assets									870,746	823,362
Segment liabilities	127,492	107,014	48,231	59,279	10,538	10,453	3,168	3,075	189,429	179,821
Unallocated liabilities									37,531	35,010
Total liabilities									226,960	214,831
<b>Other segment information:</b>										
Depreciation of property, plant and equipment	5,178	4,678	8,190	9,083	-	-	2,152	1,837	15,520	15,598
Depreciation of right-of-use assets	21,961	28,742	23,376	26,919	-	-	-	-	45,337	55,661
Capital expenditure <sup>1</sup>	6,529	2,490	2,828	3,135	-	-	891	854	10,248	6,479
Changes in fair value of investment properties	-	-	-	-	(19,381)	3,587	-	-	(19,381)	3,587
(Reversal of provision)/provision for inventories	(4,188)	2,627	-	-	-	-	-	-	(4,188)	2,627
Impairment loss on property, plant and equipment and right-of-use assets	1,305	6,005	1,703	2,182	-	-	-	-	3,008	8,187
Impairment losses on financial assets	-	-	370	-	-	-	-	-	370	-

<sup>1</sup> Capital expenditure consists of additions to property, plant and equipment.

**(b) Geographical information**

An analysis of the Group's revenue by location in which the transaction took place is as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Revenue from external customers		
Hong Kong	<b>916,750</b>	880,272
PRC	–	26
	<u>916,750</u>	<u>880,298</u>

An analysis of the Group's non-current assets (other than deferred tax assets and deposits) by location of assets is as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Non-current assets		
Hong Kong	<b>246,310</b>	245,833
PRC	<b>126,131</b>	119,692
	<u>372,441</u>	<u>365,525</u>

**(c) Information about a major customer**

Revenue of approximately HK\$31,190,000 (2020: HK\$41,491,000) was derived from sales by the merchandise segment to a single customer.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overall Review

Despite the challenges of the Coronavirus Disease 2019 (“COVID-19”) on the economy in Hong Kong and globally, the Group’s revenue for the year ended 31 March 2021 (“FY 2020/21”) was 4.1% higher than the previous year (i.e. year ended 31 March 2020 (“FY 2019/20”)) and it recorded total revenue of HK\$917 million. A number of factors, both internal and external, contributed to this result. Although sales in the Group’s photographic segment fell significantly due to travel restrictions and the weaker economy, this was largely offset by increased sales in its consumer electronic products and household appliances segment. In particular, the Group enjoyed a surge in demand for high-quality home entertainment products such as TVs and audio equipment as people spent more time than ever at home.

Net profit attributable to shareholders of the Company for the year was HK\$33.6 million (against a net loss of HK\$29.1 million in FY2019/20). The positive result was also partly due to management paying close attention to cost control during the year, with a focus on stringent inventory control and maintaining a healthy level of working capital. Negotiations with landlords for rental relief resulted in HK\$2.7 million in rent concessions during the year. Meanwhile, the Group continued to rationalise its store network and close underperforming stores. Fee reductions were also sought from business partners. Due to the reduced traffic, the operating hours of certain Fotomax stores were shortened periodically during the year, which contributed to reduced fixed store expenses and staff costs. In addition, the Group undertook a series of aggressive stock clearance sales – particularly in segments selling photographic products and B-to-B commercial and professional AV products – in order to optimise inventory levels and maintain good working capital.

During the year, the Group received various subsidies from the Government under its Anti-epidemic Fund, amounting to HK\$25.5 million in total. It also recorded a HK\$19.4 million gain in the fair value of its investment properties in FY2020/21 against a loss of HK\$3.6 million in the previous year, and a net exchange gain of HK\$2.3 million for the year compared with a net loss of HK\$2.7 million in FY2019/20. In FY2019/20, an impairment loss on property, plant and equipment and right-of-use assets of HK\$8.2 million was applied to the Group’s retail store assets of Fotomax and AV Life, whereas in FY2020/21, the impairment amounted to HK\$3.0 million was mainly related to the Fotomax operation. Also, in FY2020/21, there was a write-back for provision of inventories of HK\$4.2 million following the successful clearance of aged inventories against a provision of HK\$2.6 million in FY2019/20.

Earnings per share amounted to 2.84 HK cents (FY2019/20 loss per share: 2.45 HK cents). The Board recommends the payment of a final dividend of 1 HK cent per ordinary share for the year.



## Revenue by Segments

### *Merchandising*

#### *Photographic Products*

Results for the Group's photographic products segment were severely affected by the pandemic, with sales of digital cameras and lenses dropping by 14.7% year on year and sales of instant cameras and films falling by 35.6%. Compulsory mask-wearing and tough restrictions on the size of social gatherings for events such as weddings led to significantly fewer occasions for photo-taking, and the reduction of commercial activities also decreased the amount of opportunities to use instax products. In addition, global travel restrictions saw many Hong Kongers having to cancel their overseas vacation plans, which in turn lowered their incentive to purchase new cameras. Generally, the contracting economy and rising unemployment dampened spending across the board, especially for non-essential and luxury items such as high-end cameras and accessories. Furthermore, not all cameras were available for purchase on schedule due to global labour shortages and an on-going shortage of semiconductor components.

Nevertheless, the Group launched three new digital camera models during the year: the X-T4 in April 2020, the X-S10 in November 2020 and the GFX100S in March 2021. The large-format, high-mobility GFX100S was highly acclaimed by reviewers, and the Group's pre-sales order programme resulted in its entire pre-sales quota for the model being snapped up quickly. A number of new lens models were also made available during the year, including the XF50mm F1.0 in September 2020 and the XF10-24 WR in November 2020. In March 2021, three more new lenses came onto the market: the GF80mm F1.7, XF27mm WR and XF70-300. A number of instax products were also launched during the year. The instax mini 11 and instax WIDE 300 Toffee instant cameras appeared in April 2020, and the instax SQUARE SQ1 instant camera and instax SQUARE films RAINBOW and MONOCHROME were introduced in October 2020.

The Group adopted an aggressive inventory management approach over the year to avoid stock build-up and stimulate sales. A number of stock clearance sales provided good results, and much care was taken to improve its inventory procurement plan balancing likely market demand with supply lead time.

#### *Consumer Electronic Products and Household Appliances*

This segment, which mainly operates under the respected, high-end AV Life brand, enjoyed a successful year as sales rose 29.0% compared to last year. As at 31 March 2021, the Group operated a total of 13 shops, the same as the previous year. The Group closed its IFC AV Life shop in July 2020, replacing it with one in the nearby Prince's Building. The new Prince's Building shop has achieved a sales level on a par with the old IFC location, but the rental cost of the premises is much lower.

Excluding the IFC and Prince's Building stores, the segment's same store sales increased by 32.0% year on year overall. This positive result was largely driven by changes brought about by the pandemic – specifically, greater demand for AV equipment and higher spending due to unspent holiday budgets. Also, store sales benefitted from aggressive promotions carried out by certain shopping malls to attract customers. Overall, transaction orders from stores were up by 8.6% year on year while average ticket size per transaction increased by 25.3% compared to the same period last year. Meanwhile, the brand's online platform AVLife.com, which was fully launched in November 2019, benefitted from consumers' increasing enthusiasm about online shopping. Together with online sales made via third-party online platforms like Price.com, the Group's e-commerce business for this segment was up by three times year on year, accounting for 4.5% of the segment's total sales.

By product categories, AV sales (including products such as TVs, hi-fi units, amplifiers, sound bars and speakers) were up by 35.1% year on year. Sales of home appliances (items like refrigerators, air conditioners and washing machines), on the other hand, dropped slightly by 3.6%. Sales of 3C products (computer accessories, consumer electronics and communications products) fell by 17.4%. This was primarily due to the weak performance of the Group's Life Digital shop in IFC, which mainly targeted expats and travellers.

The AV Life management team was cautious about managing inventory levels in this challenging period, especially given the uncertain COVID-19 situation and shortage in the global supply of semiconductors. The Group made special effort to maintain a steady supply of popular, high-turnover items and achieved considerable success in this regard.

#### *B-to-B Commercial and Professional AV Products*

Sales in this segment dropped by 18.8% year on year. Many social and commercial activities were cancelled, postponed or scaled down significantly, including events such as exhibitions, weddings and religious functions as well as those at public venues such as lecture theatres, bars and clubs. Many commercial venues put their plans of installing or upgrading AV facilities for public viewing on hold as patronage disappeared. At the same time, many commercial organisations cut back on their capital expenditure budgets, and AV facilities were often among the first areas to suffer. Even confirmed projects were delayed due to work-from-home arrangements being imposed in many organisations.

In response, the segment focused on inventory management by holding clearance sales throughout the year to maintain viable stock levels. Management also continued to source new items in response to changing market demand. Attention was paid to active brand-building on social media, with regular updates made on the segment's Facebook page, "Pro Audio Development Ltd". The Group also launched a revamped website (<http://www.proaudio.com.hk>) and an e-shop for the segment in March 2021, tapping into the increasing demand for professional AV items in private homes.

## *Skincare Products*

The Group's skincare brand ASTALIFT performed well during the year, with sales and average ticket size per transaction remaining steady compared to the previous year. Because most of the Group's skincare customers are locals who regard skincare as an essential part of their daily lives, the effects of the pandemic on this segment were minimal. The ASTALIFT consignment counter in AEON in Taikoo and the Group's own FUJIFILM Studio store in Causeway Bay did suffer a combined decline of 23.6% in sales of ASTALIFT products, but this was more than offset by an 18.6% year-on-year rise in online sales, which now make up 63.6% of total sales for this segment.

The ASTALIFT website (<http://www.astalift.com.hk>) is the segment's primary platform for online sales. It has been operating strongly for several years, helping the brand establish a loyal and enthusiastic customer base. Recent improvements in transaction flows have helped guarantee payment gateway security and further increase customer trust in the ASTALIFT online experience.

Best-selling ASTALIFT products for the year included collagen drinks that made up 24.8% of total sales, followed by Jelly Aquarysta (22.2%) and D-UV Clear products (9.4%). During the year, two new anti-UV products were launched: ASTALIFT Drink White Shield (in July 2020) and D-UV Clear Aqua Day Serum SPF50+ PA++++ (in April 2020).

## *Servicing*

### *Photographic and Technical Services*

Fotomax sales fell by 20.0% year on year. Traditional photo developing and processing ("DP") sales were hit hardest, decreasing by 24.9% alongside a 31.0% drop in total print count. ID phototaking sales, meanwhile, saw a decline of 27.6% with a 26.0% drop in print count. Series of anti-pandemic measures, like compulsory mask-wearing and limits on social and commercial gatherings dampened enthusiasm for photo-taking. Travel restrictions further affected DP sales and also suppressed demand for ID photos for items such as passports and visas.

The large reduction in social gatherings and events also impacted demand for imaging gifts. Sales of items such as photobooks, calendars and greeting cards dropped by 28.4%, while photobook sales fell by 27.6%. By contrast, sales for the Group's one-stop document solution DocuXpress increased by 4.6%, though at a more moderate pace than in previous years. The rise was mainly driven by a spike in applications for British National (Overseas) passport – a process that requires full-colour copies of the entire passport to be submitted – as well as an overall reduction in the number of printing operators in the market.

As at 31 March 2021, 56 Fotomax stores were operating as compared to 58 a year earlier. Same-store sales fell by 18.3% year on year. Despite the increased popularity of e-shopping, online sales decreased by 10.4% (with online DP sales down by 5.6% and online imaging gift sales down by 22.5%) as the demand for non-essential gift items dropped. To attract customers, the Group's product development team focused on new imaging product offerings for home décor, including frameless photo canvas and photo jigsaw puzzles for framing and hanging.

The Group's imaging solution service at Hong Kong Disneyland Resort suffered from the fact that the park was closed for much of the year due to the pandemic, which resulted in a sales drop of 84.1% as compared to the previous year. On the 107 days when the park was open, most visitors were locals for whom in-park photo-taking was not their priority, especially given compulsory mask-wearing mandates. On the other hand, in the second half of the year, the Group set up a photo-shooting booth in the Disney Princess Virtual Photo Shooting Zone in the Frozen Exhibition held in Park Central in Tseung Kwan O. The event achieved good results despite a period when the event had to be suspended due to the pandemic.

#### *Professional AV Advisory and Custom Design and Installation Services*

Sales for this segment saw just a slight year-on-year decrease of 1.1% despite the fact that many commercial upgrading or improvement projects were suspended or cancelled during the year as commercial organisations tightened their belts. This was offset to an extent by a rise in the number of individual customers looking to upgrade the AV systems in their homes. Many boat owners also spent on these features for their vessels as private boating took off during the pandemic.

The number of maintenance contracts increased by 12.1% year on year as more commercial customers chose to maintain their existing equipment rather than spend large sums on new items. In all, commercial project sales were down by 24.6% for the year, non-commercial project sales rose by 13.0% and maintenance contract sales increased by 36.8%.

## **OUTLOOK**

From a macro perspective, the global introduction of mass vaccination programmes has led to a more positive outlook and expectations of an eventual global economic rebound. The Group is looking forward to the gradual re-opening of borders and relaxing of social distancing measures as important steps towards recovering sales of its photography-related products and services. However, the Group does recognise that the resumption of international travel is likely to be slow and that it may take time for sales of these products and services to regain momentum. Meanwhile, the FY2020/21 sales boom in consumer and electronic products and household appliances is expected to moderate in the coming year as the effects of the pandemic ease.

Semiconductors are key components in many of the products sold by the Group, so the global semiconductor shortage that has developed since the past year could potentially present inventory management challenges for the Group in the near future. The Group expects to experience supply shortages of certain items such as cameras and TVs, or increases in the costs of these items. The management of the Group is in close communication with suppliers and regularly review inventory levels with them, adjusting its procurement plans to respond to changes and expected shortages. The Group will also be looking to expand its stock portfolio and increase the variety of its product offerings where possible.

In light of the rising popularity of e-shopping during the pandemic, the Group recognises the need to offer a full suite of user-friendly e-commerce options, and the Group will be pouring more resources into developing its e-commerce capabilities. Other areas of focus will include developing mobile apps to deliver pre-sales and after-sales services that give customers a personalised and tailored experience. Professional product training will remain a priority as technology advances, especially for products such as cameras and electrical appliances.

In terms of brand-building, the Group will be exploring innovative new ways to make consumers aware of its brands and the people behind them. For example, the Group is looking to introduce its professional retail staff from brands such as AV Life and Fotomax on social media platforms via video-sharing to increase engagement for both staff and customers.

Although the impact of COVID-19 on Hong Kong has eased in recent months, there remain severe challenges in controlling the pandemic globally. Consequently, the macro environment remains uncertain, and it is difficult to predict the twists and turns that may lie ahead. Nevertheless, the relative success the Group has had in navigating the turbulence of the pandemic so far gives it optimism for the future. Despite a year or more of severe disruptions to business and the economy, the Group has managed to maintain good relationships with suppliers, loyal and dedicated teams, flexible sales strategies and consistent operational excellence. Its balance sheet remains steady and its financial situation is strong. Based on all this, the Group believes it is well positioned to cope with future uncertainties and to continue creating and maintaining long-term value for its shareholders.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's financial resources remain strong. As at 31 March 2021, the Group was debt-free and had cash and bank balances of HK\$283 million, representing an increase of 43.3% compared with the end of March 2020. The Group has adequate liquidity to meet its current and future working capital requirements.

## **OTHER WORKING CAPITAL**

As at 31 March 2021, the Group's trade receivables stood at HK\$46 million while its inventories were worth HK\$111 million. The Group put special effort into managing credit control and debt collection. A cautious inventory management strategy was adopted, resulting in the Group's inventory level dropping by 34.4% compared to the end of March 2020.

## **FINAL DIVIDEND**

The Board recommends the payment of a final dividend of 1 HK cent per ordinary share for the year ended 31 March 2021 (FY2019/20: Nil), payable on 8 September 2021 to shareholders whose names appear on the register of members of the Company as at close of business on 20 August 2021 subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting ("AGM") of the Company.

## **REVIEW OF ANNUAL RESULTS**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2021 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

## **AUDIT COMMITTEE**

The Company has an audit committee (the "Committee") which was established in accordance with the Rules 3.21 of the Rules Governing the Listing of Securities (the "Listing Rules"), on The Stock Exchange of Hong Kong Limited for the purpose of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. The Committee comprises a total of three Independent Non-executive Directors and one Non-executive Director of the Company. The Group's financial statements for the year ended 31 March 2021, approved by the Board on 25 June 2021, have been reviewed by the Committee, which is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement will be published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinahkphoto.com.hk](http://www.chinahkphoto.com.hk)) and the Company's 2020/21 Annual Report will be dispatched to the shareholders and published on the above-mentioned websites in due course.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2021.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Board, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the year ended 31 March 2021.

Full details on the subject of corporate governance are set out in the Company's 2020/21 Annual Report.



## **ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS**

The AGM of the Company is scheduled to be held on Friday, 13 August 2021. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 10 August 2021 to Friday, 13 August 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 9 August 2021.

The record date for entitlement to the proposed final dividend is Friday, 20 August 2021. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on both days of Thursday, 19 August 2021 and Friday, 20 August 2021, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, unregistered holders of shares of the Company shall ensure that all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at the above address, for registration not later than 4:30 p.m. on Wednesday, 18 August 2021.

### **MEMBERS OF THE BOARD**

As at the date of this announcement, the directors of the Company are:

#### *Executive Directors:*

Mr. SUN Tao Hung, Stanley (*Deputy Chairman and Chief Executive Officer*)

Mr. SUN Tao Hsi, Ryan

Ms. CHAN Wai Kwan, Rita

#### *Non-executive Directors:*

Dr. SUN Tai Lun, Dennis (*Chairman*)

Mr. FUNG Yue Chun, Stephen

#### *Independent Non-executive Directors:*

Mr. LI Ka Fai, David

Mr. LIU Hui, Allan

Dr. WONG Chi Yun, Allan

By Order of the Board  
**China-Hongkong Photo Products Holdings Limited**  
**SUN Tai Lun, Dennis**  
*Chairman*

Hong Kong, 25 June 2021