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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 2022

HIGHLIGHTS

- Revenue increased by 10.7% to HK\$1,015 million (FY2020/21: HK\$917 million)
- Net profit attributable to shareholders of the Company was HK\$18.1 million (FY2020/21: HK\$33.6 million)
- Earnings per share amounted to 1.53 HK cents (FY2020/21: 2.84 HK cents)
- The Board of Directors recommends the payment of a final dividend of 1 HK cent per ordinary share (FY2020/21: 1 HK cent)

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 2022 (“FY2021/22”) with comparative figures for the previous year (“FY2020/21”) as follows.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2022

	Note	2022 HK\$'000	2021 HK\$'000
Revenue	2	1,015,240	916,750
Cost of sales	3	<u>(793,401)</u>	<u>(722,546)</u>
Gross profit		221,839	194,204
Other income and gains	2	19,226	45,729
Changes in fair value of investment properties		14,281	19,381
Selling and distribution costs	3	(136,025)	(128,503)
Advertising and marketing expenses	3	(9,863)	(12,643)
Administrative expenses	3	(84,646)	(77,465)
Reversal of impairment/(impairment loss) on financial assets		61	(370)
Impairment loss on property, plant and equipment and right-of-use assets		<u>(602)</u>	<u>(3,008)</u>
Operating profit		24,271	37,325
Interest expense on lease liabilities		(2,935)	(2,853)
Share of results of an associate		<u>–</u>	<u>–</u>
Profit before income tax		21,336	34,472
Income tax expense	4	<u>(3,779)</u>	<u>(2,524)</u>
Profit for the year		<u>17,557</u>	<u>31,948</u>
Profit/(loss) attributable to:			
Owners of the Company		18,110	33,635
Non-controlling interests		<u>(553)</u>	<u>(1,687)</u>
		<u>17,557</u>	<u>31,948</u>
Earnings per share attributable to owners of the Company for the year	5		
Basic		<u>1.53 HK cents</u>	<u>2.84 HK cents</u>
Diluted		<u>1.53 HK cents</u>	<u>2.84 HK cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year	<u>17,557</u>	<u>31,948</u>
Other comprehensive income:		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	<u>1,548</u>	<u>3,307</u>
Other comprehensive income for the year	<u>1,548</u>	<u>3,307</u>
Total comprehensive income for the year	<u><u>19,105</u></u>	<u><u>35,255</u></u>
Attributable to:		
Owners of the Company	<u>19,658</u>	<u>36,942</u>
Non-controlling interests	<u>(553)</u>	<u>(1,687)</u>
	<u><u>19,105</u></u>	<u><u>35,255</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 31 March 2022*

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		28,529	33,664
Investment properties		260,174	245,507
Right-of-use assets		94,321	93,270
Deposits		12,472	12,267
Deferred tax assets		190	118
		<hr/>	<hr/>
Total non-current assets		395,686	384,826
		<hr/>	<hr/>
Current assets			
Inventories		155,237	111,140
Contract assets		7,241	4,854
Trade receivables	7	44,502	45,830
Amount due from an associate		–	–
Prepayments, deposits and other receivables		55,203	41,131
Tax recoverable		590	302
Cash and bank balances		229,230	282,663
		<hr/>	<hr/>
Total current assets		492,003	485,920
		<hr/>	<hr/>
Total assets		887,689	870,746
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital		118,532	118,532
Reserves		533,288	525,483
		<hr/>	<hr/>
		651,820	644,015
Non-controlling interests		(782)	(229)
		<hr/>	<hr/>
Total equity		651,038	643,786
		<hr/>	<hr/>

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Accrued liabilities		5,009	2,792
Lease liabilities		29,026	30,921
Deferred tax liabilities		<u>31,621</u>	<u>29,595</u>
Total non-current liabilities		<u><u>65,656</u></u>	<u><u>63,308</u></u>
Current liabilities			
Trade and bills payables	8	60,320	53,454
Contract liabilities		19,645	20,101
Accrued liabilities and other payables		44,190	44,045
Lease liabilities		37,728	38,116
Tax payable		<u>9,112</u>	<u>7,936</u>
Total current liabilities		<u><u>170,995</u></u>	<u><u>163,652</u></u>
Total liabilities		<u><u>236,651</u></u>	<u><u>226,960</u></u>
Total equity and liabilities		<u><u>887,689</u></u>	<u><u>870,746</u></u>
Net current assets		<u><u>321,008</u></u>	<u><u>322,268</u></u>
Total assets less current liabilities		<u><u>716,694</u></u>	<u><u>707,094</u></u>

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 2021 and are relevant to its operations.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – phase 2
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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 and amendments to existing standards 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
Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021	1 April 2021
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to IFRSs 2018-2020	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of the above new and amended standards, 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 ("DP") products, imaging solution, professional audio and visual ("AV") advisory and custom design and installation services.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue		
Sale of goods	872,416	791,689
Income from the rendering of services	142,824	125,061
	<u>1,015,240</u>	<u>916,750</u>
Other income and gains		
Interest income on bank deposits	1,159	1,359
Gross rental income from investment properties	9,044	7,930
Marketing subsidy	5,055	5,208
Rent concessions from lessors	909	2,702
(Clawback of)/income from government grants		
– Employment Support Scheme (i)	(164)	21,601
– Retail Sector Subsidy Scheme (ii)	–	3,800
– Other government grants	60	50
Others	3,163	3,079
	<u>19,226</u>	<u>45,729</u>

Note:

- (i) The amount represents salaries and wages subsidies granted under the 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 the Anti-epidemic Fund launched by the Government of the Hong Kong Special Administrative Region for subsidising retail stores' operation.

3 EXPENSES BY NATURE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold	710,917	654,854
Cost of services provided	47,276	34,070
Auditor's remuneration		
Audit services	1,000	1,000
Non-audit services	989	613
Depreciation of property, plant and equipment	14,371	15,520
Depreciation of right-of-use assets	44,642	45,337
Advertising and marketing expenses	8,965	12,425
Short-term lease payments	2,115	1,252
Variable lease payments	7,905	6,900
(Gains)/losses on disposals of property, plant and equipment	(58)	7
Reversal of provision for inventories	(1,882)	(4,188)
Write-off of trade receivables	350	–
Legal and professional fee	1,694	1,728
Employee benefit expense	125,996	117,650
Foreign exchange differences, net	(1,923)	(2,304)
Others	61,578	56,293
	<u>1,023,935</u>	<u>941,157</u>
Total cost of sales, selling and distribution costs, advertising and marketing expenses and administrative expenses	<u>1,023,935</u>	<u>941,157</u>

4 INCOME TAX EXPENSE

For the year ended 31 March 2022, Hong Kong profits tax has been provided for at the rate of 16.5% (2021: 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 2022, one (2021: 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 (the "PRC") has been calculated at the rates of tax prevailing in the location in which the Group operates.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax – Hong Kong		
Charge for the year	1,445	249
Under/(over) provision in prior years	58	(135)
Current tax – PRC		
Charge for the year	494	489
	<u>1,997</u>	603
Deferred tax	1,782	1,921
	<u>3,779</u>	<u>2,524</u>
Income tax expense	<u>3,779</u>	<u>2,524</u>

5 EARNINGS PER SHARE

The calculation of basic earnings per share is based on:

	2022	2021
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>18,110</u>	<u>33,635</u>
Weighted average number of ordinary shares in issue	<u>1,185,318,349</u>	<u>1,185,318,349</u>
Basic earnings per share (<i>HK cents</i>)	<u>1.53</u>	<u>2.84</u>

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years. The diluted earnings per share equals basic earnings per share.

6 DIVIDENDS

The final dividend for the year ended 31 March 2021 amounting to HK\$11,853,000 (2020: HK\$Nil) was paid during the year.

The Board of Directors has recommended the payment of a final dividend of 1 HK cent per ordinary share (2021: 1 HK cent per ordinary share), amounting to an aggregate of approximately HK\$11,853,000 for the year ended 31 March 2022. 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	44,811	46,200
Less: impairment losses on trade receivables	<u>(309)</u>	<u>(370)</u>
Trade receivables – net	<u>44,502</u>	<u>45,830</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 2022 and 2021, 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 and project sales 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 2022 and 2021, 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Up to 30 days	34,237	39,447
31 to 60 days	5,497	4,521
61 to 90 days	892	576
91 to 120 days	811	726
Over 120 days	3,374	930
	44,811	46,200

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 3 months	58,750	52,090
Over 3 months	1,570	1,364
	60,320	53,454

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, and commercial and professional AV products;
- (ii) the service segment engages in the provision of technical services for photographic DP 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 41.90% (2021: 0.00% to 41.89%).

(a) Operating segments

	Merchandise		Service		Investment		Corporate and Others		Eliminations		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers												
– At a point in time	872,416	791,689	29,577	20,521	–	–	–	–	–	–	901,993	812,210
– Over time	–	–	113,247	104,540	–	–	–	–	–	–	113,247	104,540
Intersegment sales	48,251	40,704	4,040	4,282	–	–	–	–	(52,291)	(44,986)	–	–
Other income and gains	48,379	54,984	8,677	20,692	10,649	11,962	20,000	60,108	(69,638)	(103,376)	18,067	44,370
Changes in fair value of investment properties	–	–	–	–	14,281	19,381	–	–	–	–	14,281	19,381
Total	<u>969,046</u>	<u>887,377</u>	<u>155,541</u>	<u>150,035</u>	<u>24,930</u>	<u>31,343</u>	<u>20,000</u>	<u>60,108</u>	<u>(121,929)</u>	<u>(148,362)</u>	<u>1,047,588</u>	<u>980,501</u>
Segment profit/(loss)	<u>23,729</u>	<u>25,113</u>	<u>(14,824)</u>	<u>(8,998)</u>	<u>20,496</u>	<u>25,136</u>	<u>(6,289)</u>	<u>(5,285)</u>	<u>–</u>	<u>–</u>	<u>23,112</u>	<u>35,966</u>
Interest income											1,159	1,359
Finance cost											(2,935)	(2,853)
Profit before income tax											21,336	34,472
Income tax expense											(3,779)	(2,524)
Profit for the year											<u>17,557</u>	<u>31,948</u>

	Merchandise		Service		Investment		Corporate and Others		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities										
Segment assets	273,099	218,779	79,494	75,769	263,770	246,666	41,316	46,449	657,679	587,663
Unallocated assets									230,010	283,083
Total assets									887,689	870,746
Segment liabilities	136,685	127,492	46,239	48,231	10,039	10,538	2,955	3,168	195,918	189,429
Unallocated liabilities									40,733	37,531
Total liabilities									236,651	226,960
Other segment information:										
Depreciation of property, plant and equipment	5,079	5,178	7,043	8,190	-	-	2,249	2,152	14,371	15,520
Depreciation of right-of-use assets	23,724	21,961	20,918	23,376	-	-	-	-	44,642	45,337
Capital expenditure ¹	7,181	6,529	1,660	2,828	-	-	452	891	9,293	10,248
Changes in fair value of investment properties	-	-	-	-	(14,281)	(19,381)	-	-	(14,281)	(19,381)
Reversal of provision for inventories	(1,882)	(4,188)	-	-	-	-	-	-	(1,882)	(4,188)
Impairment loss on property, plant and equipment and right-of-use assets	-	1,305	602	1,703	-	-	-	-	602	3,008
(Reversal of impairment)/ impairment losses on financial assets	-	-	(61)	370	-	-	-	-	(61)	370

¹ Capital expenditure consists of additions to property, plant and equipment.

(b) Geographic information

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers – Hong Kong	<u>1,015,240</u>	<u>916,750</u>

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Hong Kong	252,258	246,310
PRC	<u>130,766</u>	<u>126,131</u>
	<u>383,024</u>	<u>372,441</u>

(c) Information about a major customer

Revenue of approximately HK\$36,767,000 (2021: HK\$31,190,000) was derived from sales by the merchandise segment to a single customer.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Review

Revenue and Results

Sales of most segments of the Group were stimulated by the consumption vouchers issued by the Government of the Hong Kong Special Administrative Region (the “Government”) in Q2 and Q3 of FY2021/22 and the relaxed social distancing measures in these quarters as compared to those of the same period of FY2020/21. The Group saw record-high sales for many segments in December 2021 and January 2022. Unfortunately, due to the 5th wave of Coronavirus Disease 2019 (“COVID-19” or the “Pandemic”) arising from the outbreak of the highly infectious Omicron started in mid-January 2022, the Government tightened social distancing measures again and imposed more stringent quarantine requirements, thus giving the general economy a heavy blow again. The high infectious rate of Omicron affected the supply of manpower which in turn disrupted our operations in different aspects, including stock supply, store operating hours, delivery and installation services and the overall sales of Q4 dropped as a result.

Overall, the Group recorded a consolidated turnover of HK\$1,015 million, representing a year-on-year (“YOY”) growth of 10.7%. Except for the segments of Photographic Products and Skincare Products which recorded a drop in sales, sales of all other segments recovered from FY2020/21 which unfortunately experienced three waves of the Pandemic. Gross profit margin improved from 21.2% of FY2020/21 to 21.9% of FY2021/22 mainly because less discounts were offered for photographic products in FY2021/22 due to the tight supply whereas there were discounted clearance sales campaigns held across different segments as early as the start of the Pandemic in FY2020/21 for the sake of sustaining a stable sales volume and ensuring a healthy cash flow.

The Group continued to take prudent cost management measures by cutting unnecessary spending. Advertising and marketing expenses were kept at a minimal level at 1.0% to sales as the number of newly launched camera and lens models reduced in FY2021/22. However, selling and distribution costs rose by 5.9% mainly because of the increase in transaction costs for payment and the increase in sales in the segment of Consumer Electronic Products and Household Appliances which pushed up sales commissions, delivery costs and turnover rents. Besides, administrative expenses increased by 9.3% mainly because of the additional provision for long service payment of HK\$1.8 million made due to the volatile investment market in FY2021/22 whereas there was a write-back of respective provision of HK\$2.6 million in FY2020/21. In addition, the decrease in net foreign exchange gains and the increase in supplies for anti-pandemic measures, etc. also pushed up administrative expenses.

Net profit attributable to shareholders was HK\$18.1 million, representing a drop of 46.2% or HK\$15.5 million as compared to FY2020/2021. Excluding the net expense of HK\$104,000 in relation to a receipt of government subsidy and a clawback of previous overpaid government subsidy (FY2020/21: government subsidy income of HK\$25.5 million), the rent concessions offered by landlords of HK\$0.9 million (FY2020/21: HK\$2.7 million) and the valuation gain of investment properties of HK\$14.3 million (FY2020/21: HK\$19.4 million), net profit attributable to shareholders improved dramatically by 121.8% or HK\$16.9 million to HK\$3.0 million (FY2020/21: net loss HK\$13.9 million) following the increase in sales and gross profit.

Earnings per share amounted to 1.53 HK cents (FY2020/21: 2.84 HK cents). Accordingly, the Board recommends the payment of a final dividend of 1 HK cent per ordinary share for FY2021/22.

Business Segment Review

Merchandising

Photographic Products

Although the Pandemic became stable in FY2021/22, particularly in Q2 and Q3, sales of digital cameras and lenses still recorded a YOY drop of 26.4%. Factors affecting the sales are detailed as follows: (i) notwithstanding that many countries relaxed their restrictions on inbound visitor arrival, Hong Kong citizens and visitors were required to have 14 days (currently 7 days) quarantine at hotels when they arrived Hong Kong; restrictions on global travel (especially outbound tourism of Hong Kong) reduced occasions of vacation travel, thus jeopardizing the incentive for buying new cameras; (ii) substantially all the inbound tourism was suspended, causing a significant downturn in sales of the Group's key dealers who mainly targeted at tourists seeking for tax-free cameras, especially for mid-priced items, in Hong Kong; (iii) continuous global shortage of semiconductors limited the supply of certain popular camera items, thereby leading to a delay in launching new models; and (iv) the business plan of the Group was affected by the suspension of production and logistics issues, especially starting from Q4 when the new wave of COVID-19 was reported in China where some production sites for spare parts located.

Despite these challenges, the Group managed to launch a limited number of new items in FY2021/22. New models of digital cameras and lenses introduced to the market during the first half of FY2021/22 included XF18mm F1.4 R LM WR in May 2021, GFX50S II in September 2021 and GF35-70mm FG4.5-5.6 WR in September 2021. In respect of the second half of FY2021/22, XF33mm F1.4R LM WR, X-T30 II and XF23mm F1.4R LM WR were launched in September 2021, October 2021 and February 2022 respectively. Armed with the vintage aesthetic design, the exclusive functions of film simulation and the state of art technology, X-T30 II became a signature product of the Group this year.

On the other hand, sales of instant cameras and films increased dramatically by 191.7% and 47.9% YOY respectively, mainly because: (i) the demand was boosted by an increase in the number of social gatherings, especially during Q2 and Q3 when the Pandemic was relatively stable; and (ii) the new instax cameras launched in December 2021 were well received in the market and caught up the strong demand during the festive time of Christmas. The brand new instax camera and film models launched during the first half of FY2021/22 included instax mini 40 in May 2021 and Mickey and Friends mini films in July 2021. In respect of the second half of FY2021/22, the Group introduced instax mini Evo and instax Link WIDE, a smartphone printer, and instax mini 11 BTS Butter version to the market in December 2021. All of them were well-received by the market.

In light of the new products, the Group organized a series of marketing and promotional events by posting video clippings on social media, including Facebook, Instagram and YouTube. Two series of video clippings, namely "More Than Full Frame" and "Film Simulation", were launched in the first half of FY2021/22, and a high hit rate was recorded. For the second half of FY2021/22, the focus was put on product launch events for the brand new instax cameras and smartphone printers in December 2021, which successfully drew customers' attention and brought in strong sales.

Being the pioneer of the photographic industry in Hong Kong, once again, the Group sponsored Hong Kong Photographic Culture Association Limited at an amount of HK\$1.5 million in FY2021/22 to support the promotion of the photographic industry and culture in Hong Kong. On the other hand, products of the Group were well received by the market, which could be evidenced by the prizes awarded in FY2021/22. FUJIFILM GFX100S was awarded “Best Medium Format Digital Camera Award” in The Best Photographic Product Awards 2021 organized by DCFever. In addition, GFX100S, X-T4, X-E4, X-S10, X100V, XF50mm F1.0 R WR, XF10-24mm F4 R OIS WR, GF30mm F3.5 R WR and GF100-200mm F5.6 R LM OIS WR were also acknowledged as the “Reddot Winner 2021”.

Consumer Electronic Products and Household Appliances

Sales of the segment jumped up by 14.1% YOY. Retail sales increased by 13.1% while wholesales grew by 16.0%. Same store sales improved by 14.1% YOY. As at 31 March 2022, the segment had 12 stores (31 March 2021: 13 stores). The Life Digital store at International Finance Centre Mall (“IFC”) selling electronic gadgets like headphones and computer accessories was closed in February 2022. Also, the AV Life store in IFC was closed in July 2020 and was replaced by a new store in Prince’s Building which commenced business in April 2021.

The retail and wholesale businesses under the segment was benefited from the factors detailed below. As the Pandemic was getting stable in Q2 and Q3, with the consumption vouchers issued by the Government in August and October 2021 and the attractive promotional offers provided by particular shopping malls in the form of cash coupons for encouraging customers to spend therein, consumer sentiments improved greatly as compared to FY2020/21. Local spending power on household appliances was strong because certain budget was shifted from overseas travelling and vacation plans as the desire for overseas travel was hampered by strict testing and quarantine requirements. Moreover, the Group implemented shop-front revamps or full scale renovations for certain stores, thus optimizing display layout of AV equipment and sparing more room for large sized TV sets and advanced audio system. These initiatives enhanced the image of AV Life and showcased its status as “The One and Only One” AV specialty chain store in the territory. The ticket size for retail business also improved by 24.3% as compared to FY2020/21 as the overhauling of various stores lifted the brand image and also attracted high-spending clientele which was the main customer group for large-sized TV sets. Regarding the cyber front, AV Life.com, the online sales platform of the segment, was well developed since its first launch in November 2019. Together with other e-commerce platform like Price.com, the aggregate e-commerce sales increased by 18.9% as compared to FY2020/21. E-commerce sales accounted for 4.6% of total segment sales.

In terms of product categories, AV products like TV sets, hi-fi, amplifiers, sound bars, speakers, etc. accounted for 89.4% of the total segment sales, and registered an increase of 14.8% as compared to FY2020/21. Sales of home appliances like fridges, washing machines, air conditioners and kitchen appliances recorded a 13.3% increase as compared to FY2020/21. Meanwhile, gadget sales dropped by 4.7% as the Life Digital store in IFC with tourists and business travelers as its major customer group closed in February 2022 and only operated for 11 months in FY2021/22.

The segment was inevitably affected by the global shortage of semiconductors and the intermittent delay or even suspension of supply due to the Pandemic. Similar to the case in FY2020/21, the Group acted cautiously, and closely monitored its inventory level and adjusted its product mix through updating the market condition with various suppliers and revising its warehouse management policy for the purpose of ensuring a steady supply of products to capitalize on the increasing market demand.

The Group launched a variety of marketing and promotional events to drive its sales because COVID-19 changed Hong Kong people's traditional pattern for information seeking, communication and even shopping. In light of this, AV Life adjusted its advertising and marketing planning during the Pandemic to keep on enhancing its brand awareness and acquiring new target group of customers. It co-operated with suppliers to promote the sales of a special selection of exquisite products, including the speakers with revolutionary design, Nautilus™, from Bowers & Wilkins, the limited edition Edge S Loudspeakers from Cambridge Audio and the 98-inch QLED TV sets from Samsung. Meanwhile, AV Life uplifted its brand awareness among the younger generation of locals and expatriates by posting different interesting video footages online which further strengthening its brand recognition and market awareness.

B-to-B Commercial and Professional AV Products

Sales of the segment picked up since the second half of FY2021/22, which led to an overall improvement of 2.5% YOY. In the first half of FY2021/22, sales underperformed the same period of FY2020/21 as the segment launched an aggressive stock clearance program in Q2 of FY2020/21, which in turn pushed up segment sales and provided a relatively high sales volume as compared to the first half of FY2021/22. When the Pandemic was getting stable in the Q2 and Q3 of FY2021/22, social and commercial events that had been suspended for long resumed gradually. It was particularly in Q3 that the Group saw increasing orders of projectors and professional TV sets for exhibitions, conferences, weddings or event functions placed by customers before Christmas and Chinese New Year. In addition, given a new distributorship right of hotel TV sets and professional screen displays in Macau, sales orders from hotels and casinos in Macau helped sustaining sales of the segment.

During FY2021/22, the Group kept on maintaining a healthy inventory level and exploring new products offerings for the segment. Moreover, the Group focused on brand building and getting close contact with potential commercial customers via eDM to provide them with more market and product updates.

Skincare Products

Sales of the segment recorded a drop of 8.5% as compared to FY2020/21. Online sales maintained at 63.3% to the total sales of the segment while the ticket size remained constant. Factors attributable to the drop in sales as compared to FY2020/21 was detailed below.

Despite that the foot traffic of shopping mall was extremely low, the sales for FY2020/21 were relatively high because the segment's well-established online sales platform captured a considerable amount of online sales during the early stage of the Pandemic. However, when the Pandemic became stable in FY2021/22, especially starting from Q2, the segment's sales dropped as customers tended to shop around in person again. In addition, the segment faced keen market competition arising from a greater variety of product selection offered by other market players and their appealing marketing and promotional activities. On the contrary, the number of new products of the segment marketed was quite limited during FY2021/22, and only the ASTALIFT White Jelly Aquarysta was launched in June 2021. Nevertheless, the overall drop in sales for the whole year was narrowed down from that of the 1st half of the year with the strong sales during Christmas which was supported by a series of successful promotional activities.

Star products of the segment included Jelly Aquarysta, Collagen drinks and D-UV Clear product, accounting for 25.7%, 24.5% and 12.5% of total segment sales respectively. Awards received in Japan for White Jelly Aquarysta in FY2021/22 included but not limited to: Anna issue 2239 (March 3, 2021) Spring '21 Cosmetic Award; MAQUIA (May '21 issue) Whitening – UV Category Grand Award New Technology 1st place; and LEE (August '21 issue) Summer 2021 “Best Cosmetic” Whitening Award.

The Group mainly announced its promotional and marketing events through word-of-mouth via the sharing of posts of key opinion leaders and social media like Facebook and Instagram, which were proved to be very cost-effective.

Servicing

Photographic and Technical Services

Sales of Fotomax increased by 10.2% YOY, which gradually picked up in FY2021/22. As at 31 March 2022, the Group operated 55 Fotomax stores as compared to 56 stores a year earlier. Same store sales improved by 9.8%. Regarding online sales, online orders remained stable as compared to FY2020/21 and accounted for 12.0% of total sales of Fotomax.

The improvement in sales was attributable to a number of factors. The comparative figures for FY2020/21 were low because the 2nd to 4th waves of the Pandemic gave rise of social distancing measures, including the suspension of schools, thus decreasing the occasions and incentives for taking photos. On the contrary, the Pandemic was contained in Q2 and Q3 of FY2021/22 and the Group saw the resumption of certain social gatherings and activities, thus pushing up photo DP sales by 2.8%. ID photo sales, on the other hand, climbed up by 5.3% YOY due to the upward adjustment of selling prices despite the 1.0% YOY drop in the number of ID photo prints, which was attributable to the reduced demand for visa application from local citizens and overseas domestic helpers arising from the border closure in FY2021/22.

Sales for DocuXpress slightly dropped by 1.2% as people were gradually getting back to offices and schools and the surge for British National (Overseas) passport application was eased in FY2021/22. Sales derived from imaging gifts and photobooks remained weak and registered a YOY drop of 5.1%.

Given the uncertainties on the reopening of borders and the generic decrease in demand for traditional photo DP services, Fotomax spared no effort to explore new business opportunities related to imaging to sustain and even expand its sales. Fotomax effected two key attempts in FY2021/22. Firstly, Fotomax collaborated with two large-scaled shopping malls and organized two photo-shooting events when the Pandemic was relatively stable, namely: (i) the 1st Pixar Fest in Hong Kong (from 30 June to 15 August 2021) held in Harbour City, Tsim Sha Tsui for the celebration of the 35th anniversary of Pixar; and (ii) the Disney Princess Event (from 7 July to 5 September 2021) held in MOKO, Mongkok. Both events were proved successful and the Group identified the demand for this kind of pop-up theme photo shooting services notwithstanding the social distancing restrictions still in effect. Secondly, boasting the collaboration with an IT consultancy firm, Fotomax developed an instant print solution which provided users with compelling experience in photo imaging where both of entertaining and innovative elements were combined. With the solution, customers could easily tailor-make their photos with fun and appealing preset licensed cartoon characters or customized festive and celebrated frames and place their online photo printing orders anytime anywhere. This innovative service was well received by the market and was popular in both private and commercial events. It enabled collaborations between Fotomax and other corporations for promotion and marketing campaigns in FY2021/22, including the “Mickey Mouse Photo Days” with Uniqlo, the “Miffy Day” with 1011SIPTEA and the “Culinary Art of Thai Cuisine” organized by the Department of International Trade Promotion of the Government of Thailand. This instant print solution was also awarded the “Best Digital Transformation Award for Retailers” in the Hong Kong Retail Innovation Award 2021 organized by the Hong Kong Retail Technology Industry Association.

During the year, Fotomax offered seasonal and festive promotions, like complimentary parent and child photo-taking services upon purchase of any ID photo-taking package during Mother’s Day and Father’s Day’s promotions. In addition, promotional events targeted at pets, back-to-school and graduation were held in FY2021/22. Fotomax also strengthened its brand image by communicating with customers through its website as well as Facebook and Instagram accounts.

On the other hand, sales of the imaging solution service at the Hong Kong Disneyland Resort (the “Park”) and Sky100 improved by over 190.9% as the Park and Sky100 reopened in FY2021/22 when the Pandemic was under control. The Park opened for 212 days (FY2020/21: 107 days) and Sky100 opened for 279 days (FY2020/21: 103 days) in FY2021/22. However, due to the closure of border, visitors to the Park and Sky100 were mainly local people who would probably spend less than overseas tourists. Social distancing measures and the mandatory mask wearing policy also discouraged visitors to take photos, thereby dragging sales down to a level far below the pre-COVID-19 period. In light of this, the management cut the headcount of part-time employees and adjusted the operating hours to save cost and reduce its loss. Moreover, the management kept on negotiating with operators of the Park and Sky100 for promotion and marketing collaboration to encourage spending of local visitors.

Sales of the segment rose sharply by 47.6% YOY. Upgrading or improvement projects of many commercial facilities were suspended or even cancelled due to the restrictions on on-site work in FY2020/21 when COVID-19 was first found and many commercial organizations worried the downturn of the economy and reacted promptly by cutting budget for non-urgent spending. Those suspended projects were reactivated in FY2021/22, especially in Q2 and Q3 when the Pandemic turned stable. In addition, the demand for video conferencing arising from the work-from-home mode, which became a new norm for office operation, increased during the Pandemic, thus creating demand for advanced AV equipment and facilities with artificial intelligence upon customers' system revamp and upgrade which helped pushing up the sales.

OUTLOOK AND 40TH ANNIVERSARY OF FOTOMAX

As observed from the prevailing market conditions, it is expected that the Group's business will be exposed to both of positive and negative impacts in the year ending 31 March 2023 ("FY2022/23").

In respect of positive impacts, with less confirmed cases reported in Hong Kong since April 2022 due to the containment of COVID-19, the Group expects a gradual recovery of the general economy. Besides, the higher vaccination rate, the resumption of schools of all levels, the re-opening of entertainment venue including theme parks, and the gradual relaxation of social distancing measures and requirements on inflight bans and quarantine will also contribute to the recovery, in particular to the Group's segments related to photographic products and services.

Recently, the Government announced another round of Employment Support Scheme to support employers in the payment of salary by subsidizing at a maximum amount of HK\$8,000 for each staff for the period between May and July 2022. In addition, the rollout of new consumption vouchers in April 2022 with an amount of HK\$10,000 for each eligible Hong Kong citizen will stimulate the sales of the Group, especially the segment of Consumer Electronic Products and Household Appliances.

Once the Pandemic is contained, it is expected that the normal operation of public facilities will be resumed, and the number of newly completed private domestic, office and commercial properties will also gradually increase. This increase will certainly stimulate the demand for consumer and professional electronic products and household appliances, as well as tailor-made AV solutions. In addition, the segment of Professional AV Advisory and Custom Design and Installation Services of the Group will also grasp the business opportunity arising from the increasing demand for SMD LED wall display and conference system technologies of the new generation.

In respect of negative impacts, Hong Kong is subject to impact of the containment of the Pandemic in China, which has been suffered from the extensive outbreak across the country since March 2022. A number of major cities are locked down to a different extent. Since tourists from mainland China play an important role in contributing to the Group's sales particularly in imaging solution, the restriction on outbound travel of them will inevitably affect the sales of the Group. Furthermore, the product supply and the purchase cost may also be affected if the Pandemic in China is getting worse because a number of accessories and spare parts of the Group's products are manufactured in China.

Also, after two years of sales boom for the segment of Consumer Electronic Products and Household Appliances, sales growth of this segment is expected to slow down a bit when Hong Kong citizens are allowed to travel overseas because their budget for household spending may be shifted to overseas travelling. However, sales from this segment will remain solid and continue to be the Group's major sales contributor as AV Life has successfully developed its brand image as a specialty chain store for AV products and solutions across the years.

FY2022/23 marks the 40th anniversary of the establishment of the brand of Fotomax. To celebrate the memorable moment, a series of marketing and promotional campaigns will be organized during FY2022/23. On the other hand, Fotomax will continue to develop innovative and upbeat products to keep abreast with the market so as to capitalize on business opportunities should they arise. For instance, Fotomax will launch a new online platform to facilitate the printing of on-trend NFT artworks within FY2022/23.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial resources remained strong. As at 31 March 2022, the Group was debt-free and had cash and bank balances of HK\$229 million. The Group has adequate liquidity to meet its current and future working capital requirements.

OTHER WORKING CAPITAL

As at 31 March 2022, the Group's trade receivables stood at HK\$45 million while its inventories were worth HK\$155 million. The Group continued to put every effort to manage credit control and debt collection and to adopt a prudent inventory management strategy.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of 1 HK cent per ordinary share for the year ended 31 March 2022 (FY2020/21: 1 HK cent), payable on 7 September 2022 to shareholders whose names appear on the register of members of the Company as at close of business on 19 August 2022 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 Group's consolidated statement of comprehensive income, consolidated statement of financial position, and the related notes thereto for the year ended 31 March 2022 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the reporting 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 on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) 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 2022, approved by the Board on 28 June 2022, 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) and the Company (www.chinahkphoto.com.hk) and the Company’s 2021/22 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 2022.

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 2022.

Full details on the subject of corporate governance are set out in the Company’s 2021/22 Annual Report.

CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

The Board hereby announces that with effect from 15 August 2022, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Tengis Limited (the “Branch Share Registrar”), will change its address from Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong to:

**17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong**

All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company is scheduled to be held on Friday, 12 August 2022. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 9 August 2022 to Friday, 12 August 2022, 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, Hong Kong, for registration not later than 4:30 p.m. on Monday, 8 August 2022.

The record date for entitlement to the proposed final dividend is Friday, 19 August 2022. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on both days of Thursday, 18 August 2022 and Friday, 19 August 2022, 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 its new address at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 17 August 2022.

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 Jian Hui, Allan (formerly known as 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, 28 June 2022