CHKP

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 2019

HIGHLIGHTS

- Group revenue increased 3.1% to HK$959 million (2018: HK$930 million); gross profit margin declined to 22.7% this year from 23.9% last year

- Net loss attributable to shareholders for the year amounted to HK$46.7 million (2018: net profit HK$38.2 million)

- Advertising and marketing expenses increased 38.2% to HK$23.9 million

- Excluding non-core operating items that were affected by macro-economic conditions (e.g. impairment on the amount due from an associate, valuation gains from investment properties, exchange differences from Renminbi bank deposits and provision for long-service payments), net loss attributable to shareholders for the year amounted to HK$15.7 million (2018: HK$4.4 million)

- Loss per share was HK3.94 cents (2018: earnings per share HK3.22 cents)

- The Board of Directors does not recommend the payment of any final dividend for the year

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	2	**959,045**	929,839
Cost of sales		**(741,743)**	(707,370)
Gross profit		**217,302**	222,469
Other income and gains	2	**15,961**	15,887
Changes in fair value of investment properties		**8,908**	37,403
Selling and distribution costs		**(145,725)**	(143,797)
Advertising and marketing expenses		**(23,915)**	(17,310)
Administrative expenses		**(83,933)**	(70,106)
Impairment loss on amount due from an associate		**(32,720)**	–
Operating (loss)/profit		**(44,122)**	44,546
Share of results of an associate		**–**	–
(Loss)/profit before income tax	3	**(44,122)**	44,546
Income tax expense	4	**(2,239)**	(5,399)
(Loss)/profit for the year		**(46,361)**	39,147
(Loss)/profit attributable to:			
Owners of the Company		**(46,691)**	38,206
Non-controlling interests		**330**	941
		(46,361)	39,147
(Loss)/profit per share attributable to owners of the Company for the year			
Basic	5	**(HK3.94 cents)**	HK3.22 cents
Diluted		**(HK3.94 cents)**	HK3.22 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019	2018
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(46,361)**	39,147
Other comprehensive (loss)/income:		
Item that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(3,971)**	5,203
Other comprehensive (loss)/income for the year	**(3,971)**	5,203
Total comprehensive (loss)/income for the year	**(50,332)**	44,350
Attributable to:		
Owners of the Company	**(50,662)**	43,409
Non-controlling interests	**330**	941
	(50,332)	44,350

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**77,192**	81,712
Investment properties		**235,580**	227,235
Deposits		**13,729**	12,753
Deferred tax assets		**86**	114
Total non-current assets		**326,587**	321,814
Current assets			
Inventories		**198,549**	192,301
Contract assets		**7,485**	–
Trade receivables	*6*	**51,713**	47,669
Amount due from an associate		**–**	29,105
Prepayments, deposits and other receivables		**50,085**	31,972
Tax recoverable		**–**	10
Cash and bank balances		**198,178**	219,486
Total current assets		**506,010**	520,543
Total assets		**832,597**	842,357
EQUITY			
Equity attributable to owners of the Company			
Share capital		**118,532**	118,532
Reserves		**521,891**	571,777
		640,423	690,309
Non-controlling interests		**1,735**	1,136
Total equity		**642,158**	691,445

	Note	**2019**	2018
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Accrued liabilities		**5,727**	1,021
Deferred tax liabilities		**29,258**	28,135
Total non-current liabilities		**34,985**	29,156
Current liabilities			
Trade and bills payables	*7*	**82,291**	60,133
Contract liabilities		**15,174**	–
Accrued liabilities and other payables		**48,203**	50,758
Tax payable		**9,786**	10,865
Total current liabilities		**155,454**	121,756
Total liabilities		**190,439**	150,912
Total equity and liabilities		**832,597**	842,357
Net current assets		**350,556**	398,787
Total assets less current liabilities		**677,143**	720,601

NOTE:

1 BASIS OF PREPARATION AND CHANGE OF ACCOUNTING POLICIES

The consolidated financial statements of China–Hongkong Photo Products Holdings Limited (the "Company") and its subsidiaries (together, the "Group") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinances Cap.622.

The Group has applied the following new standards, amendments to existing standards and interpretation for the first time for their financial year beginning on 1 April 2018:

Annual Improvements Project	Annual Improvements 2014-2016 Cycle
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarification of HKFRS 15
HKAS 40 (Amendments)	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Detailed impact of adoption of HKFRS 9 and HKFRS 15 are disclosed below. The adoption of other new and amended standards and interpretation did not have any material impact on the current period and any prior periods.

The Group applied the modified retrospective approach to adopt HKFRS 9 and HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the restated consolidated statement of financial position as at 31 March 2018, but are recognised in the opening consolidated statement of financial position on 1 April 2018.

(i) HKFRS 9 – impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

(a) Classification and measurement of financial instruments

The adoption of HKFRS 9 did not have a significant impact on the classification and measurement of the Group's financial assets. Trade receivables, deposits and other receivables as well as amount due from an associate are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under HKFRS 9. Therefore, reclassification for these instruments is not required. These financial assets continue to be measured at amortised cost and are subsequently measured using effective interest rate method.

There is no impact on Group's accounting for financial liabilities, as the new requirement under HKFRS 9 only affects the accounting for financial liabilities that are designated at fair value through profit or loss of which the Group does not have any.

(b) ***Impairment of financial assets***

The Group has the following types of assets that are subject to HKFRS 9's new expected credit loss model ("ECL model"):

- Trade receivables
- Contract assets
- Deposits and other receivables (excluding prepayments)
- Amount due from an associate

The Group applies the simplified approach to provide expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables from third parties and contract assets. For deposits and other receivables, the impairment provision was limited to 12 months expected losses. Management considered these financial assets to be of low credit risk at the date of initial application.

The Group considers the probability of default upon initial recognition of amount due from an associate and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on amount due from an associate as at the reporting date with the risk of default as at the date of initial recognition.

Based on the assessment performed by the Group, the impact of adopting the ECL model under HKFRS 9 was not significant. Therefore, the Group made no adjustment to the opening balance of retained earnings at the date of initial application.

(ii) HKFRS 15 – impact of adoption

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

	31 March 2018 HK$'000	Reclassification under HKFRS 15 HK$'000 (Note (ii) (b), (iii))	Recognition of sales under HKFRS 15 HK$'000 (Note (d))	1 April 2018 (Restated) HK$'000
Consolidated statement of financial position (extract)				
Current assets				
Inventories	192,301	–	(3,966)	188,335
Trade receivables	47,669	–	5,074	52,743
Total assets	842,357	–	1,108	843,465
Current liabilities				
Contract liabilities	–	15,162	–	15,162
Accrued liabilities and other payables	50,758	(15,162)	–	35,596
Total liabilities	150,912	–	–	150,912
Net assets	691,445	–	1,108	692,553
Retained earnings	49,301	–	776	50,077
Non-controlling interests	1,136	–	332	1,468
Total equity	691,445	–	1,108	692,553

(a) Sales of goods

Under HKFRS 15 the Group concluded that revenue from the sales of products will continue to be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the products. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition. As receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Sales of goods – customer loyalty programmes

The Group operates loyalty points programmes, which allow customers to accumulate points when they purchase products. The points can be redeemed for free products, subject to a minimum number of points obtained. Prior to the adoption of HKFRS 15, the loyalty programmes offered by the Group resulted in the allocation of a portion of the transaction price to the loyalty programme using the fair value of points issued and recognition of the accrued liabilities in relation to points issued but not yet redeemed or expired. The Group concluded that under HKFRS 15 the loyalty points give rise to a separate performance obligation because they provide a material right to the customers and allocated a portion of the transaction price to the loyalty points awarded to customers based on the relative stand-alone selling price. The accrued liabilities related to these loyalty points programmes were reclassified to contract liabilities.

(c) ***Rendering of services – provision of technical services for photographic developing and processing products***

Under HKFRS 15, the Group concluded that revenue from the provision of the above services will continue to be recognised over time when the services have been rendered. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition of these services.

(d) ***Rendering of services – provision of professional audio-visual advisory and custom design and installation services***

The Group provides installation services. These services are sold in bundle together with the sale of audio visual equipment to customers. The installation services can be obtained from other providers and do not significantly customise or modify the products. Under HKAS 18, revenue is only recognised upon completion of the services bundles. Under HKFRS 15, the Group concluded that revenue from the sales of audio visual equipment is recognised at a point in time upon delivery of the product, and revenue from installation service is recognised over time when the services have been rendered. To reflect the change in policy, the Group recognised trade receivables of HK$5,074,000 and derecognised inventory of HK$3,966,000, resulting in net adjustment to retained earnings of HK$776,000 and non-controlling interests of HK$332,000.

(e) ***Financing component*** - The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(iii) HKFRS 15 – presentation of assets and liabilities related to contracts with customers

The Group has also changed the presentation of the following amounts in the statement of financial position to reflect the terminology of HKFRS 15:

- Contract liabilities in relation to receipts in advance from customers were previously presented in accrued liabilities and other payables (HK$14,646,000 as at 1 April 2018).

- Contract liabilities in relation to customer loyalty programmes were previously recognised in accrued liabilities and other payables (HK$516,000 as at 1 April 2018, see above Note (ii)(b)).

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, professional audio-visual advisory and custom design and installation services.

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

	2019 *HK$'000*	2018 *HK$'000*
Revenue		
Sale of goods	**796,276**	778,585
Income from the rendering of services	**162,769**	151,254
	959,045	929,839
Timing of revenue recognition		
At a point in time	**823,451**	802,281
Over time	**135,594**	127,558
	959,045	929,839

	2019 *HK$'000*	2018 *HK$'000*
Other income and gains		
Interest income on bank deposits	**2,218**	2,663
Gross rental income from investment properties	**7,192**	7,680
Rental income from equipment	**915**	108
Interest income from an associate	**1,283**	1,009
Others	**4,353**	4,427
	15,961	15,887

3 (LOSS)/PROFIT BEFORE INCOME TAX

	2019 *HK$'000*	2018 *HK$'000*
Depreciation of property, plant and equipment	**20,705**	19,167
Minimum lease payments under operating leases on land and buildings	**58,771**	60,493
Provision/(reversal of provision) for inventories	**880**	(6,684)
Employee benefit expense	**114,925**	109,170
Foreign exchange differences, net	**4,148**	(3,476)

4 INCOME TAX EXPENSE

For the year ended 31 March 2019, Hong Kong profits tax has been provided for at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong.

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. 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 2019, only 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.

	2019	2018
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Charge for the year	**403**	610
Over provision in prior years	**(408)**	(344)
Current tax – PRC		
Charge for the year	**861**	843
Over provision in prior years	**–**	(96)
	856	1,013
Deferred tax	**1,383**	4,386
Income tax expense	**2,239**	5,399

5 (LOSS)/EARNINGS PER SHARE

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

	2019	2018
(Loss)/profit attributable to owners of the Company (HK$'000)	**(46,691)**	38,206
Weighted average number of ordinary shares in issue	**1,185,318,349**	1,185,318,349
Basic (loss)/earnings per share (HK cents)	**(3.94)**	3.22

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 March 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

6 TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**51,713**	48,396
Less: loss allowances	**–**	(727)
	51,713	47,669

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 2019 and 2018, balances are relating to a large number of diversified customers.

The ageing analysis of the trade receivables as at the end of the year, based on the payment due date and net of impairment, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Current	**31,078**	30,617
1 to 3 months	**18,487**	16,071
Over 3 months	**2,148**	981
	51,713	47,669

(i) Fair values of trade receivables

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$.

(ii) Impairment and risk exposure

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

7 TRADE AND BILLS PAYABLES

An ageing 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:

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**80,151**	27,240
Over 3 months	**2,140**	32,893
	82,291	60,133

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 their fair values.

8 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, professional audio-visual 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 Board of Directors. The Board of 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 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 6.72% to 23.55% (2018: 6.72% to 35.24%).

(a) Operating segments

	Merchandise		Service		Investment		Corporate and others		Eliminations		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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	**796,276**	778,585	**162,769**	151,254	**–**	–	**–**	–	**–**	–	**959,045**	929,839
Intersegment sales	**30,668**	30,855	**3,241**	2,613	**–**	–	**–**	–	**(33,909)**	(33,468)	**–**	–
Other income and gains	**8,112**	8,930	**–**	–	**21,505**	52,495	**355**	99	**(7,321)**	(10,897)	**22,651**	50,627
Total	**835,056**	818,370	**166,010**	153,867	**21,505**	52,495	**355**	99	**(41,230)**	(44,365)	**981,696**	980,466
Segment (loss)/profit	**(15,447)**	822	**(171)**	3,062	**(19,303)**	43,167	**(11,419)**	(5,168)	**–**	–	**(46,340)**	41,883
Interest income											**2,218**	2,663
Share of results of an associate											**–**	–
(Loss)/profit before income tax											**(44,122)**	44,546
Income tax expense											**(2,239)**	(5,399)
(Loss)/profit for the year											**(46,361)**	39,147

	Merchandise		Service		Investment		Corporate and others		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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	**299,463**	267,366	**53,965**	46,544	**228,025**	252,965	**52,880**	55,872	**634,333**	622,747
Unallocated assets									**198,264**	219,610
Total assets									**832,597**	842,357
Segment liabilities	**121,591**	83,759	**14,260**	9,977	**10,454**	10,707	**5,010**	6,631	**151,315**	111,074
Unallocated liabilities									**39,124**	39,838
Total liabilities									**190,439**	150,912
Other segment information:										
Depreciation	**6,441**	7,440	**10,284**	7,732	**–**	–	**3,980**	3,995	**20,705**	19,167
Capital expenditure[1]	**11,402**	22,287	**5,383**	2,822	**–**	–	**947**	983	**17,732**	26,092
Changes in fair value of investment properties	**–**	–	**–**	–	**(8,908)**	(37,403)	**–**	–	**(8,908)**	(37,403)
Provision/(reversal of provision) for inventories	**880**	(6,684)	**–**	–	**–**	–	**–**	–	**880**	(6,684)
Impairment loss on amount due from an associate	**–**	–	**–**	–	**32,720**	–	**–**	–	**32,720**	–

1 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:

	2019	2018
	HK$'000	*HK$'000*
Revenue from external customers		
Hong Kong	**958,997**	929,627
PRC	**48**	212
	959,045	929,839

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

	2019	2018
	HK$'000	*HK$'000*
Non-current assets		
Hong Kong	**183,340**	177,070
PRC	**129,432**	131,877
	312,772	308,947

(c) Information about a major customer

Revenue of approximately HK$55,837,000 (2018: HK$49,667,000) was derived from sales by the merchandise segment to a single customer.

9 DIVIDENDS

No dividend was paid or proposed during 2019 and 2018, nor has any dividend been proposed by the Company since the end of the reporting period in respect of the year ended 31 March 2019 and 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Revenue and Results

Throughout the year, consumer sentiment was affected by fluctuations in the stock market and the Renminbi exchange rate, both of which resulted primarily from developments in the US-China trade war and had a knock-on effect on the Group's performance. Although the Group's consolidated revenue increased by 3.1% to HK$959 million this year from HK$930 million last year following powerful marketing efforts and strategic price adjustments, gross profit margin declined to 22.7% this year from 23.9% last year. Net loss attributable to shareholders for the year amounted to HK$46.7 million (2018: net profit HK$38.2 million).

At the level of non-core operating items, the Group recognised a provision for impairment of the amount due from an associate of HK$32.7 million during the year because the credit risk of such amount is considered high. In addition, the Group experienced a decrease in valuation gains from its investment properties, recording just HK$8.9 million this year compared to HK$37.4 million last year due to a weaker property market. Moreover, due to the depreciation of its Renminbi bank deposits, the Group incurred an exchange loss of HK$4.1 million this year against an exchange gain of HK$3.5 million last year. Finally, the Group recorded an increase in its provision for long service payments of HK$3.0 million this year compared with a decrease of HK$1.7 million last year, a change that was largely due to volatility in global stock market. All these non-core operating items, affected by marco-economic factors, hit the Group's bottom line. Excluding these non-core operating items, net loss attributable to shareholders for the year amounted to HK$15.7 million (2018: HK$4.4 million).

The Board of Directors does not recommend the payment of any final dividend for the year.

Merchandising

Photographic Products

Sales of the Group's digital cameras and accessories rose 18.3% year on year. The primary drivers for this increase were the launches of popular new high-end digital cameras, including GFX System and X System models, in the second half of the year. On the other hand, sales of instant products such as instax cameras and instax films dropped by 29.4% and 32.9%, respectively. This was driven by a lack of new model launches during the year compared to the previous year as well as an influx of parallel-imported products. Due to the relatively weak market for instax products, the Group moved to clear excess stock through discounting initiatives, which consequently impacted gross profit margin for instant products.

Skincare Products

Despite Hong Kong's highly competitive skincare market and the fact that the Group's skincare business mainly operates online, the Group was able to achieve stable sales growth of 9.1% for this business segment during the year under review. Online sales grew 12.0% over the previous year while number of new members increased 4.7%, which boosted total membership to 21,000 at year-end. During the year, ASTALIFT expanded its product range to include haircare products in addition to its skincare and cosmetics lines, a move that has seen it emerge as an all-round beauty brand.

Consumer Electronics Products and Household Appliances

This segment saw full-year sales growth of 4.2% with an 18.7% increase in same-store sales growth. In line with its effective store optimisation strategy, the Group closed two underperforming AV Life stores during the year and opened one new store in a promising location for a total of 14 stores at year-end. By closing low-productivity stores, occupancy cost-to-sales ratio fell to 10.9% this year from 12.2% last year while staff cost-to-sales ratio improved to 8.0% from 8.2%. Through its AV Life brand, the Group has worked hard in recent years to position itself as a pioneering supplier of high-end audio and visual equipment, introducing prestigious AV brands to the market and providing comprehensive product training to frontline staff. It also focuses on ensuring that customers receive a seamless, one-stop solution that includes professional product advice, product testing and measurement, ordering, payment, delivery and installation plus follow-up maintenance as required.

B-to-B Commercial and Professional Audio and Visual Products

The Group's specialist business-to-business AV products segment achieved stable performance for the year, recording 0.5% growth despite relatively significant declines in sales of Frame TVs and projectors. The Group was able to compensate for these decreases by rapidly rolling out other new products such as LED TVs, hospitality TVs and monitors, which saw sales increases of 31.9%, 19.4% and 13.1%, respectively. In addition, sales of audio systems rose an impressive 88.8%, primarily because the Group was granted the distribution rights for certain renowned audio brands in early 2018. The Group plans to sustain this momentum in the year ahead by staying abreast of new LED technology and being active in its role as a distributor to promote new products to potential customers.

Servicing

Photofinishing and Technical Services

Total sales under this segment showed a steady increase of 2.1% compared to last year. During the year, the Group was active in rolling out new Fotomax imaging products and services to drive sales from a variety of angles. Although number of photo prints fell 7.6% year on year, the Group saw increases in sales of its ID photo service, DocuXpress document solution service, Gift Plus personalised image gift service and Year Album of 10.4%, 24.7%, 3.4% and 16.4%, respectively. To broaden the possibilities for print sales, the Group revamped its mobile printing software and introduced new kiosk software that enables customers to download photos via Wi-Fi directly from mobile and social media platforms for printing. The Group also boosted sales by running online and in-store seasonal promotions, supporting them through partnerships with popular third-party online platforms. Online sales continued to grow in importance, increasing 26.2% compared to last year. At year-end, there were a total of 63 physical stores in operation compared to 64 at the end of the previous year.

Professional Audio-Visual Advisory and Custom Design and Installation Services

This business segment, which has grown steadily in recent years, achieved an 11.3% year-on-year sales increase. The Group enjoys very strong relationships with product suppliers, subcontractors and customers, which together are providing a strong foundation for future business development. A number of important market opportunities have also arisen for this segment; these include major developments taking place in new commercial districts in Kowloon East, projects under the Government's 10-year hospital development plan, and several new hotels. To ensure it is a competitive player when bidding for these projects, the Group will be looking to grow its force of experienced salesmen and project managers and to expand its after-sales maintenance services.

FINANCIAL RESOURCES

The financial position of the Group remained sound and healthy during the year under review. As at 31 March 2019, the Group's cash and bank balances were approximately HK$198 million with a zero gearing ratio. Trade receivables of approximately HK$52 million were recorded at the end of the year, while inventories were approximately HK$199 million.

OUTLOOK

In a fast-moving world, the Group believes it is important that its product offerings do not lag behind current tastes and trends. Therefore, the Group is aiming to achieve faster product rollout and higher traffic in the year ahead by offering high-volume, trendy and profitable products as soon as they are available on the market.

The Group will remain cautious about expanding its store networks, aiming to find the right balance between maintaining wide brand presence and minimising rental costs. In addition, as e-commerce becomes increasingly important for many businesses, the Group will look to strengthen its entire e-commerce system, enhance the customer experience and reduce its operating costs. The Group will also strengthen its business development team to improve the quality of its big data analysis. This will help the Group become more customer-centric and allow the Group to gain a better understanding of market trends and customer preferences as the bases for new product sourcing and marketing strategies.

Although the Group experienced a net loss for the year, its operations continue to make strides in several important areas. The Group is confident that once those short-term economic headwinds clear, its multi-segment business portfolio will be well placed to grow in Hong Kong and, potentially, the wider Greater Bay Area, meeting the needs of a variety of customer groups with high-quality goods and services that are perfectly suited for modern urban lifestyles. Therefore, the Group believes it can approach the next 50 years with as much confidence and optimism as the Group showed in its first 50.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting ("AGM") of the Company is scheduled to be held on Friday, 16 August 2019. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 13 August 2019 to Friday, 16 August 2019, 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, 12 August 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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 2019.

AUDIT COMMITTEE

The Company has an audit committee (the "Committee") which was established in accordance with the Rules 3.21 of 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 four independent non-executive directors and one non-executive director of the Company. The Group's financial statements for the year ended 31 March 2019 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.

REVIEW OF ANNUAL RESULTS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2019 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board of Directors, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Main Board Listing Rules throughout the year ended 31 March 2019.

Full details on the subject of corporate governance are set out in the Company's 2018/2019 Annual Report.

PUBLICATION OF ANNUAL RESULTS 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 2018/19 Annual Report will be dispatched to the shareholders and published on the above-mentioned websites in due course.

MEMBERS OF THE BOARD

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

Executive Directors:
Dr. SUN Tai Lun, Dennis *(Chairman)*
Mr. SUN Tao Hung, Stanley *(Deputy Chairman and Chief Executive Officer)*
Mr. SUN Tao Hsi, Ryan
Ms. CHAN Wai Kwan, Rita

Non-executive Director:
Mr. FUNG Yue Chun, Stephen

Independent Non-executive Directors:
Mr. AU Man Chung, Malcolm
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

HKSAR, 27 June 2019