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 2020

HIGHLIGHTS

- Revenue decreased by 8.2% to HK$880 million (2019: HK$959 million); gross profit margin remained steady at 22.2% (2019: 22.7%)

- Net loss attributable to shareholders for the year amounted to HK$29.1 million (2019: net loss HK$46.7 million)

- If the non-cash accounting treatment items including the impairment loss on property, plant and equipment and right-of-use assets of HK$8.2 million this year and the impairment loss on amount due from an associate of HK$32.7 million last year, as well as the valuation differences of investment properties of both current and last year were excluded, the net loss attributable to shareholders would have been HK$17.3 million for the year and HK$22.9 million for last year

- Loss per share was HK2.45 cents (2019: loss per share HK3.94 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 2020

	Note	**2020** **HK$'000**	2019 HK$'000
Revenue	*3*	**880,298**	959,045
Cost of sales	*4*	**(685,266)**	(741,743)
Gross profit		**195,032**	217,302
Other income and gains	*3*	**22,559**	15,961
Changes in fair value of investment properties		**(3,587)**	8,908
Selling and distribution costs	*4*	**(141,633)**	(145,725)
Advertising and marketing expenses	*4*	**(13,163)**	(23,915)
Administrative expenses	*4*	**(83,696)**	(83,933)
Impairment loss on property, plant and equipment and right-of-use assets		**(8,187)**	–
Impairment loss on amount due from an associate		**–**	(32,720)
Operating loss		**(32,675)**	(44,122)
Interest expense on lease liabilities		**(3,379)**	–
Share of results of an associate		**–**	–
Loss before income tax		**(36,054)**	(44,122)
Income tax credit/(expense)	*5*	**4,335**	(2,239)
Loss for the year		**(31,719)**	(46,361)
(Loss)/profit attributable to:			
Owners of the Company		**(29,093)**	(46,691)
Non-controlling interests		**(2,626)**	330
		(31,719)	(46,361)
Loss per share attributable to owners of the Company for the year	*6*		
Basic		**(HK2.45 cents)**	(HK3.94 cents)
Diluted		**(HK2.45 cents)**	(HK3.94 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
Loss for the year	**(31,719)**	(46,361)
Other comprehensive income/(loss):		
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**(2,565)**	(3,971)
Item that will not be reclassified to profit or loss		
Gain on revaluation of property	**2,859**	–
Item that has been reclassified to profit or loss		
Realisation of accumulated exchange differences upon liquidation of a subsidiary	**92**	–
Other comprehensive income/(loss) for the year	**386**	(3,971)
Total comprehensive loss for the year	**(31,333)**	(50,332)
Attributable to:		
Owners of the Company	**(28,707)**	(50,662)
Non-controlling interests	**(2,626)**	330
	(31,333)	(50,332)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Note	**2020** **HK$'000**	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**38,582**	77,192
Investment properties		**225,436**	235,580
Right-of-use assets		**101,507**	–
Deposits		**12,354**	13,729
Deferred tax assets		**174**	86
Total non-current assets		**378,053**	326,587
Current assets			
Inventories		**169,508**	198,549
Contract assets		**2,035**	7,485
Trade receivables	*7*	**43,675**	51,713
Amount due from an associate		**–**	–
Prepayments, deposits and other receivables		**32,545**	50,085
Tax recoverable		**232**	–
Cash and bank balances		**197,314**	198,178
Total current assets		**445,309**	506,010
Total assets		**823,362**	832,597
EQUITY			
Equity attributable to owners of the Company			
Share capital		**118,532**	118,532
Reserves		**488,541**	521,891
		607,073	640,423
Non-controlling interests		**1,458**	1,735
Total equity		**608,531**	642,158

	Note	2020 HK$'000	2019 HK$'000
LIABILITIES			
Non-current liabilities			
Accrued liabilities		**5,778**	5,727
Lease liabilities		**34,191**	–
Deferred tax liabilities		**27,413**	29,258
Total non-current liabilities		**67,382**	34,985
Current liabilities			
Trade and bills payables	*8*	**44,511**	82,291
Contract liabilities		**11,972**	15,174
Accrued liabilities and other payables		**40,040**	48,203
Lease liabilities		**43,329**	–
Tax payable		**7,597**	9,786
Total current liabilities		**147,449**	155,454
Total liabilities		**214,831**	190,439
Total equity and liabilities		**823,362**	832,597
Net current assets		**297,860**	350,556
Total assets less current liabilities		**675,913**	677,143

NOTE:

1 BASIS OF PREPARATION

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 Ordinance 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) New standards, amendments to standards and interpretation adopted by the Group

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 2019. Detailed impact of adoption of HKFRS 16 is disclosed in Note 2. The adoption of other new and amended standards and interpretation did not have any material impact on the current period and any prior periods.

Annual Improvement Projects 2017	Annual Improvements 2015-2017 Cycle
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments

(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

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material[1]
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform[1]
HKFRS 3 (Amendments)	Definition of a Business[1]
HKFRS 17	Insurance Contracts[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] Effective for the Group for annual periods beginning on or after 1 April 2020

[2] Effective for the Group for annual periods beginning on or after 1 April 2021

[3] Effective date to be determined

The Group intends to adopt the above new standards and amendments to existing standards when they become effective. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(c) Early adoption of amendments to standard during the year ended 31 March 2020 where early adoption is permitted

HKFRS 16 (Amendment), "COVID-19-Related Rent Concessions" (effective for annual periods beginning on or after 1 April 2021). The amendment provides lessees with exemption from assessing whether COVID-19-related rent concession is a lease modification and requires lessees that apply the exemption to account for COVID-19-related rent concession as if they were not lease modifications. In applying HKFRS 16 (Amendment) for the first time, the Group has applied the practical expedient and elected not to assess whether COVID-19-related rent concession is a lease modification. All of the COVID-19-related rent concessions amounted to HK$1,286,000 has been recognised in profit or loss.

2 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 April 2019.

The Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 April 2019.

On the adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4.0%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)–Int 4 "Determining whether an Arrangement contains a Lease".

(ii) Measurement of lease liabilities

	2019 HK$'000
Operating lease commitments disclosed as at 31 March 2019	85,446
Discounted using the lessee's incremental borrowing rate at the date of initial application	74,880
Add: equipment leases recognised	17,584
Less: short-term leases recognised on a straight-line basis as expense	(1,394)
Lease liabilities recognised as at 1 April 2019	91,070
Represented by:	
Current lease liabilities	47,424
Non-current lease liabilities	43,646
	91,070

(iii) Measurement of right-of-use assets

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Upon the adoption of HKFRS 16, the Group reclassified the leasehold land under finance lease, prepaid premium for land lease under operating leases and reinstatement costs in "property, plant and equipment" to "right-of-use assets" for presentation purpose.

The recognised right-of-use assets related to the following types of assets:

	31 March 2020 **HK$'000**	1 April 2019 HK$'000
Leasehold land held for own use	**33,375**	27,746
Properties lease for own use	**53,685**	72,986
Equipment lease	**14,447**	16,850
	101,507	117,582

(iv) **Adjustments recognised on the adoption of HKFRS 16**

The change in accounting policy mainly affected the following items in the consolidated statement of financial position on 1 April 2019. Line items that were not affected by the changes have not been included. As a result, the subtotals and totals disclosed cannot be recalculated from the numbers provided.

	31 March 2019 HK$'000	Reclassification under HKFRS 16 HK$'000	Recognition of leases under HKFRS 16 HK$'000	1 April 2019 (Restated) HK$'000
Consolidated statement of financial position (extract)				
Non-current assets				
Property, plant and equipment	77,192	(29,232)	–	47,960
Right-of-use assets	–	29,232	88,350	117,582
Current assets				
Prepayments, deposits and other receivables	50,085	–	(2,239)	47,846
Total assets	832,597	–	86,111	918,708
Current liabilities				
Accrued liabilities and other payables	48,203	–	(300)	47,903
Lease liabilities	–	–	47,424	47,424
Non-current liabilities				
Lease liabilities	–	–	43,646	43,646
Deferred tax liabilities	29,258	–	15	29,273
Total liabilities	190,439	–	90,785	281,224
Net assets	642,158	–	(4,674)	637,484
Retained earnings/ (accumulated losses)	3,386	–	(4,643)	(1,257)
Non-controlling interests	1,735	–	(31)	1,704
Total equity	642,158	–	(4,674)	637,484

(v) **Lessor accounting**

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

3 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 advisory and custom design and installation services.

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

	2020	2019
	HK$'000	HK$'000
Revenue		
Sale of goods	**721,770**	796,276
Income from the rendering of services	**158,528**	162,769
	880,298	959,045

	2020	2019
	HK$'000	HK$'000
Other income and gains		
Interest income on bank deposits	**1,922**	2,218
Gross rental income from investment properties	**7,335**	7,192
Marketing subsidy	**8,113**	1,682
Rental income from equipment	**1,050**	915
Rent concessions from lessors	**1,795**	–
Interest income from an associate	**–**	1,283
Others	**2,344**	2,671
	22,559	15,961

4 EXPENSES BY NATURE

	2020	2019
	HK$'000	HK$'000
Cost of inventories sold	**598,515**	656,588
Cost of services provided	**40,733**	46,922
Auditor's remuneration		
Audit services	**1,200**	1,500
Non-audit services	**672**	662
Depreciation of property, plant and equipment	**15,598**	20,705
Depreciation of right-of-use assets	**55,661**	–
Advertising and marketing expenses	**12,198**	22,277
Minimum lease payments under operating leases on land and buildings	**–**	58,771
Short-term lease payments	**752**	–
Variable lease payments	**4,686**	–
Losses on disposals of property, plant and equipment	**236**	615
Provision for inventories	**2,627**	880
Legal and professional fee	**2,254**	2,056
Employee benefit expense	**121,059**	114,925
Foreign exchange differences, net	**2,700**	4,148
Others	**64,867**	65,267
Total cost of sales, selling and distribution costs, advertising and marketing expenses and administrative expenses	**923,758**	995,316

5 INCOME TAX (CREDIT)/EXPENSE

For the year ended 31 March 2020, Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 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 2020, one (2019: 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.

	2020	2019
	HK$'000	HK$'000
Current tax – Hong Kong		
Charge for the year	**432**	403
Over provision in prior years *(Note)*	**(3,839)**	(408)
Current tax – PRC		
Charge for the year	**770**	861
	(2,637)	856
Deferred tax	**(1,698)**	1,383
Income tax (credit)/expense	**(4,335)**	2,239

Note:

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

6 LOSS PER SHARE

The calculation of basic loss per share is based on:

	2020	2019
Loss attributable to owners of the Company (HK$'000)	**(29,093)**	(46,691)
Weighted average number of ordinary shares in issue	**1,185,318,349**	1,185,318,349
Basic loss per share (HK cents)	**(2.45)**	(3.94)

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

7 TRADE RECEIVABLES

	2020 **HK$'000**	2019 HK$'000
Trade receivables	**43,675**	51,713

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 2020 and 2019, 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 invoice date and net of impairment, is as follows:

	2020 **HK$'000**	2019 HK$'000
Up to 30 days	**32,468**	44,323
31 to 60 days	**7,921**	4,067
61 to 90 days	**887**	713
91 to 120 days	**1,168**	487
Over 120 days	**1,231**	2,123
	43,675	51,713

(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.

8 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:

	2020	2019
	HK$'000	HK$'000
Within 3 months	**42,386**	80,151
Over 3 months	**2,125**	2,140
	44,511	82,291

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 payable 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 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 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 41.97% (2019: 6.72% to 23.55%).

(a) Operating segments

	Merchandise		**Service**		**Investment**		**Corporate and others**		**Eliminations**		**Consolidated**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	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	**721,770**	796,276	**21,730**	27,175	**-**	–	**-**	–	**-**	–	**743,500**	823,451
– Over time	**-**	–	**136,798**	135,594	**-**	–	**-**	–	**-**	–	**136,798**	135,594
Intersegment sales	**61,747**	30,668	**4,379**	3,241	**-**	–	**-**	–	**(66,126)**	(33,909)	**-**	–
Other income and gains	**47,792**	8,112	**6,539**	–	**7,187**	12,597	**123**	355	**(41,004)**	(7,321)	**20,637**	13,743
Changes in fair value of investment properties	–	–	–	–	**(3,587)**	8,908	–	–	–	–	(3,587)	8,908
Total	**831,309**	835,056	**169,446**	166,010	**3,600**	21,505	**123**	355	**(107,130)**	(41,230)	**897,348**	981,696
Segment (loss)/profit	**(15,350)**	(15,447)	**(11,319)**	(171)	**2,329**	(19,303)	**(10,257)**	(11,419)	**-**	–	**(34,597)**	(46,340)
Interest income											**1,922**	2,218
Finance cost											**(3,379)**	–
Loss before income tax											**(36,054)**	(44,122)
Income tax credit/(expense)											**4,335**	(2,239)
Loss for the year											**(31,719)**	(46,361)

	Merchandise		Service		Investment		Corporate and others		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	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	**259,651**	299,463	**88,822**	53,965	**227,040**	228,025	**50,129**	52,880	**625,642**	634,333
Unallocated assets									**197,720**	198,264
Total assets									**823,362**	832,597
Segment liabilities	**107,014**	121,591	**59,279**	14,260	**10,453**	10,454	**3,075**	5,010	**179,821**	151,315
Unallocated liabilities									**35,010**	39,124
Total liabilities									**214,831**	190,439
Other segment information:										
Depreciation of property, plant and equipment	**4,678**	6,441	**9,083**	10,284	**-**	–	**1,837**	3,980	**15,598**	20,705
Depreciation of right-of-use assets	**28,742**	–	**26,919**	–	**-**	–	**-**	–	**55,661**	–
Capital expenditure[1]	**2,490**	11,402	**3,135**	5,383	**-**	–	**854**	947	**6,479**	17,732
Changes in fair value of investment properties	**-**	–	**-**	–	**3,587**	(8,908)	**-**	–	**3,587**	(8,908)
Provision for inventories	**2,627**	880	**-**	–	**-**	–	**-**	–	**2,627**	880
Impairment loss on property, plant and equipment and right-of-use assets	**6,005**	–	**2,182**	–	**-**	–	**-**	–	**8,187**	–
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:

	2020	2019
	HK$'000	HK$'000
Revenue from external customers		
Hong Kong	**880,272**	958,997
PRC	**26**	48
	880,298	959,045

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

	2020	2019
	HK$'000	HK$'000
Non-current assets		
Hong Kong	**245,833**	183,340
PRC	**119,692**	129,432
	365,525	312,772

(c) Information about a major customer

Revenue of approximately HK$41,491,000 (2019: HK$55,837,000) was derived from sales by the merchandise segment to a single customer.

10 DIVIDEND

The Board of Directors does not recommend the payment of any dividend for the year ended 31 March 2020 (2019: Nil).

11 EVENTS AFTER THE REPORTING PERIOD

Following the outbreak of the Coronavirus Disease 2019 ("COVID-19") in early 2020, a series of precautionary and control measures have been and continued to be adopted by the Group. Subsequent to 31 March 2020 and up to the date of this announcement, the Group's sales have gradually recovered as the situation of the outbreak of COVID-19 improves in Hong Kong. The Group has been actively adopting cost control measures including re-prioritising work plans to improve liquidity position, closely monitoring the market situation and timely adjusting the business strategies in view of the development of the COVID-19.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Revenue and Results

The events of the year under review – including the on-going Sino-US trade dispute, social unrest in Hong Kong and the global coronavirus pandemic ("COVID-19") – have all had dramatic effects on Hong Kong and caused massive disruptions to its retail sector. The Group was not immune to these challenges and recorded a consolidated turnover of HK$880 million for the year, a drop of 8.2% from HK$959 million last year. The Group's gross profit dropped by 10.2% to HK$195 million as compared to HK$217 million last year while gross profit margin remained steady at 22.2% (2019: 22.7%).

The drastic decline in sales and gross profit led to losses at some of the Group's retail stores. Therefore, in accordance with Hong Kong Accounting Standard 36, impairment loss of HK$8.2 million was recorded for this year which apply to the Group's retail store assets (including property, plant and equipment and right-of-use assets). The provision for impairment loss is a non-cash accounting treatment, and therefore has no impact on the Group's cash position for the year.

In response to the downtrend of sales and gross profit, the Group streamlined its retail store network and directed more resources to its wholesales and online retail platforms during the year. In addition, the Group had taken a very stringent approach to keeping expenses down. Total expenses for the year was down by 4.6% or HK$11.7 million as compared to last year. The Group also stepped up its stock and credit management efforts to strengthen its liquidity position.

The Group's loss for the year was also exaggerated by the valuation loss recorded for the Group's investment properties following a weaker property market. The valuation loss recorded this year was HK$3.6 million as against a valuation gain of HK$8.9 million last year.

Net loss attributable to shareholders was HK$29.1 million this year (2019: HK$46.7 million, including an impairment loss on amount due from an associate of HK$32.7 million). If the non-cash accounting treatment items including the impairment loss on property, plant and equipment and right-of-use assets of HK$8.2 million this year and the impairment loss on amount due from an associate of HK$32.7 million last year, as well as the valuation differences of investment properties of both current and last year as mentioned above were excluded, the net loss attributable to shareholders would have been HK$17.3 million for the year and HK$22.9 million for last year.

Merchandising

Photographic Products

The Group's digital camera and lenses segment was the hardest-hit of all its business units this year as demand for non-essential and luxury items became one of the first victims of the economic downturn. With a 16.5% drop in sales of digital cameras and lenses in the first half of the year, the decline in sales grew steeper in the second half of the year because of the escalation of the social movement and the outbreak of COVID-19. Sales dropped 40.4% in the second half of the year, contributing to a full-year decrease of 28.5%.

Sales of instant cameras and film fell 17.3% year on year. Parallel-imported products have remained a drag on the market, although the appreciation of the yen, particularly in the first half of the year, helped bridge the gap with the competition.

Skincare Products

The Group's skincare business started slowly with first-half sales dropping 8.2% year on year, which was partly due to a weak retail environment caused by the beginning of the social unrest in Hong Kong. However, the Group put together a series of strong promotional packages, along with new product launches, helped improve sales in the second half for a full-year drop of just 5.5%.

The Group's skincare business is largely online, which was beneficial in countering both the social unrest and the social distancing of the pandemic as consumers increasingly moved to online shopping. During the year, the percentage of online sales to total sales of this segment rose a further 5.7% over last year to a record high of 53.9%.

Consumer Electronics Products and Household Appliances

This business is divided into a retail arm, which contributed 63.7% of segment sales this year, and a wholesale arm, which contributed 36.3%. One underperforming retail store under the Wai Ming Electrical brand was closed during the year. As at the end of March 2020, the Group was operating 13 retail stores under the AV Life, Life Digital and Wai Ming Electrical names. Overall, retail sales for the segment fell 8.1% year on year. Like-for-like store sales remained steady with only a slight drop of 0.1% even there were challenges from social unrest and pandemic this year as the products sold in the stores are mostly essential household appliances.

The Group's long-planned online shopping platform, avlife.com.hk, had its full launch in November 2019. The timing was good as it came just when consumers started moving toward online shopping, a trend that grew even stronger when the pandemic struck in early 2020. This trend also benefitted the Group's wholesale business, which increased its sales to its wholesales customers which sell their products via various online platforms such as Price.com. Because of these developments, wholesale sales for this segment were up by 28.2% year on year.

B-to-B Commercial and Professional Audio and Visual ("AV") Products

The segment achieved a sales increase of 5.4% for the first half of the year, but like many others, it was soon impacted by the social unrest in Hong Kong and the outbreak of COVID-19, both of which caused many AV solutions projects to be put on hold as businesses dealt with the aftereffects. Overall, the segment ended the year with a year-on-year drop of 4.2% in sales.

Servicing

Photofinishing and Technical Services

Fotomax sales dropped 8.6% year on year, but as with other areas of the Group's business, this was once again a tale of two halves. In fact, Fotomax enjoyed a satisfactory performance, achieving 3.4% growth in the first half of the year despite the social disruptions since July 2019, which forced some stores to close periodically. However, the social unrest became more intense in the third quarter and the outbreak of COVID-19 in January 2020 had a severe impact on Fotomax sales, dragging them to a record low. The suspension of schools and businesses significantly reduced demand for document solution and ID photo-taking services, while travel restrictions and social distancing measures brought photofinishing and ID photo sales to a standstill. Unsurprisingly, total sales for the third quarter and the fourth quarter fell 7.9% and 34.8% respectively year on year.

During the year, Fotomax closed eight underperforming stores and opened three new ones in promising locations for a total of 58 stores as at the end of March 2020. Full-year like-for-like store sales showed a drop of 1.9%.

In July 2019, the Group took on a 65% majority shareholding stake in a new venture providing imaging operations at Hong Kong Disneyland Resort. Under normal circumstances, we would expect this venture to perform well, harnessing synergies with the Group's high-end photo-taking and photofinishing experiences. Unfortunately, after a good start, the business was severely affected by the social unrest in Hong Kong and the coronavirus pandemic. The Group anticipates that its imaging operations there will require patience before they begin to deliver results as hoped.

Professional AV Advisory and Custom Design and Installation Services

Although the performance of this segment slowed in this year compared to the rapid expansion of previous years, it nevertheless achieved solid sales growth of 8.5% during the first half of the year. The outbreak of COVID-19 since January 2020, however, delayed many projects at a time that is traditionally peak season for project completions, typically lasting up to the end of March. This was due to factors such as tightened budgets by customers – especially in the hotel and commercial sectors – the suspension of deliveries of products and parts from mainland China due to the lockdown there, and the temporary closure of offices that made on-site work impossible. As a result, usually strong fourth-quarter sales dropped 51.3% compared to the same period last year and caused full-year sales to decline 18.2%.

FINANCIAL RESOURCES

The financial position of the Group remained sound and healthy during the year under review. As at 31 March 2020, the Group's cash and bank balances were approximately HK$197 million with a zero gearing ratio. Trade receivables of HK$44 million were recorded at the end of the year, while inventories were HK$170 million.

OUTLOOK

With its solid experience and stable financial background, the Group remains optimistic in this difficult time. It believes it can and will overcome the current headwinds, and it has a clear direction in mind to do so. It will lean on its core values, seek to enhance its focus on improving profitability, become more customer-centric and achieve operational excellence at every level.

One major strategy for enhancing its core values of customer-centric focus and service excellence is to embrace the online shopping model while at the same time providing more tailor-made services to customers. The Group plans to devote more resources to the development of an effective online shopping platform in response to the change of shopping patterns. To enhance online user-friendliness and the customer experience, the Group will revamp its Fotomax website in 2020/21 and also prioritise the security and encryption of personal data so that consumers can be fully confident about shopping on its websites. The Group will also explore the possibility of collaborating with various external online sales platforms to expand its sales channels, especially for promotional items and special packages.

The Group's advantages are its reputation for high quality as well as its diversified products and services. The Group expects sales to rise again once the pandemic is under control. Its new imaging operations at Hong Kong Disneyland Resort promise to generate additional revenue. At the same time, demand for its AV solutions should resume – first in the non-commercial sector, as the Government seeks to stimulate the economy by injecting resources into infrastructure.

The Group is committed to maintaining its forward momentum, and it will continue to explore new, high-potential product and business opportunities that offer good long-term growth prospects. The Group has a number of exciting new products under different segments that are due to be rolled out in the coming year, which it believes have strong potential even in a weaker market.

The Group believes it has arrived at its optimal number of stores, both for maintaining a good balance between cost and return and maximising brand presence. However, management will continue to analyse individual store performances carefully and adjust store strategies appropriately.

The Group is negotiating hard with landlords, suppliers and various service providers to achieve rental and fee discounts. Meanwhile, the Group is reviewing workflows and identifying and removing unnecessary expenses. These stringent, proactive cost control efforts are collectively contributing to a stronger, leaner, more efficient business.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting ("AGM") of the Company is scheduled to be held on Friday, 14 August 2020. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 11 August 2020 to Friday, 14 August 2020, 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, 10 August 2020.

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 2020.

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 2020, approved by the Board of Directors on 24 June 2020, 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 2020 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.

COMPLIANCE WITH THE 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 Listing Rules throughout the year ended 31 March 2020.

Full details on the subject of corporate governance are set out in the Company's 2019/20 Annual Report.

FINAL DIVIDEND

The Board of Directors does not recommend the payment of any final dividend for the year ended 31 March 2020 (2019: Nil).

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 2019/20 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. 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, 24 June 2020