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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 2023

HIGHLIGHTS

- Revenue increased by 6.3% to HK\$1,079 million (FY2021/22: HK\$1,015 million)
- Net profit attributable to shareholders of the Company was HK\$40.8 million (FY2021/22: HK\$18.1 million)
- Earnings per share amounted to 3.44 HK cents (FY2021/22: 1.53 HK cents)
- The Board of Directors recommends the payment of a final dividend of 1 HK cent per ordinary share (FY2021/22: 1 HK cent) and a special dividend of 0.5 HK cent per ordinary share (FY2021/22: Nil)

The Board of Directors (the “Board”) of China-Hongkong Photo Products Holdings Limited (the “Company”) presents the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2023 (“FY2022/23” or the “Year”) with comparative figures for the previous year (“FY2021/22” or the “Previous Year”) as follows.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2023

	Note	2023 HK\$'000	2022 HK\$'000
Revenue	2	1,079,245	1,015,240
Cost of sales	3	<u>(813,444)</u>	<u>(793,401)</u>
Gross profit		265,801	221,839
Other income and gains, net	2	31,561	19,226
Changes in fair value of investment properties		5,867	14,281
Selling and distribution costs	3	(143,885)	(136,025)
Advertising and marketing expenses	3	(14,640)	(9,863)
Administrative expenses	3	(96,058)	(84,646)
Reversal of impairment loss on financial assets		104	61
Impairment loss on property, plant and equipment and right-of-use assets		<u>(1,740)</u>	<u>(602)</u>
Operating profit		47,010	24,271
Interest expense on lease liabilities		(2,508)	(2,935)
Share of results of an associate		<u>–</u>	<u>–</u>
Profit before income tax		44,502	21,336
Income tax expense	4	<u>(2,066)</u>	<u>(3,779)</u>
Profit for the year		<u>42,436</u>	<u>17,557</u>
Profit/ (loss) attributable to:			
Owners of the Company		40,810	18,110
Non-controlling interests		<u>1,626</u>	<u>(553)</u>
		<u>42,436</u>	<u>17,557</u>
Earnings per share attributable to owners of the Company for the year	5		
Basic		<u>3.44 HK cents</u>	<u>1.53 HK cents</u>
Diluted		<u>3.44 HK cents</u>	<u>1.53 HK cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit for the year	<u>42,436</u>	<u>17,557</u>
Other comprehensive (loss)/ income:		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	<u>(2,912)</u>	<u>1,548</u>
Other comprehensive (loss)/ income for the year	<u>(2,912)</u>	<u>1,548</u>
Total comprehensive income for the year	<u><u>39,524</u></u>	<u><u>19,105</u></u>
Attributable to:		
Owners of the Company	<u>37,898</u>	<u>19,658</u>
Non-controlling interests	<u>1,626</u>	<u>(553)</u>
	<u><u>39,524</u></u>	<u><u>19,105</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		24,432	28,529
Investment properties		265,324	260,174
Intangible assets		4,711	–
Right-of-use assets		81,190	94,321
Deposits		10,938	12,472
Deferred tax assets		169	190
Total non-current assets		386,764	395,686
Current assets			
Inventories		176,839	155,237
Contract assets		15,528	7,241
Trade receivables	7	46,213	44,502
Amount due from an associate		–	–
Prepayments, deposits and other receivables		51,600	55,203
Tax recoverable		549	590
Cash and bank balances		235,919	229,230
Total current assets		526,648	492,003
Total assets		913,412	887,689
EQUITY			
Equity attributable to owners of the Company			
Share capital		118,532	118,532
Reserves		559,086	533,288
		677,618	651,820
Non-controlling interests		1,091	(782)
Total equity		678,709	651,038

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
LIABILITIES			
Non-current liabilities			
Accrued liabilities		9,293	5,009
Lease liabilities		21,165	29,026
Deferred tax liabilities		30,251	31,621
		<hr/>	<hr/>
Total non-current liabilities		60,709	65,656
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade and bills payables	8	58,565	60,320
Contract liabilities		27,351	19,645
Accrued liabilities and other payables		45,538	44,190
Lease liabilities		33,840	37,728
Tax payable		8,700	9,112
		<hr/>	<hr/>
Total current liabilities		173,994	170,995
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		234,703	236,651
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total equity and liabilities		913,412	887,689
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Net current assets		352,654	321,008
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Total assets less current liabilities		739,418	716,694
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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 2022 and are relevant to its operations.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle

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
HKFRS 17	Insurance Contracts	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 HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
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, NET

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 ("D&P") products, imaging solution, professional audio-visual ("AV") advisory and custom design and installation services.

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

	2023 HK\$'000	2022 HK\$'000
Revenue		
Sale of goods	894,863	872,416
Income from the rendering of services	<u>184,382</u>	<u>142,824</u>
	<u>1,079,245</u>	<u>1,015,240</u>
Other income and gains, net		
Interest income on bank deposits	2,397	1,159
Gross rental income from investment properties	8,537	9,044
Marketing subsidies	5,818	5,055
Rent concessions from lessors	1,483	909
Income from/ (clawback of income from) government grants		
– Employment Support Scheme ("ESS") (i)	9,754	(164)
– Other government grants	–	60
Others	<u>3,572</u>	<u>3,163</u>
	<u>31,561</u>	<u>19,226</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 (the "Government") for the use of paying wages of employees from May to July 2022 (2022: Clawback of income from the government grants related to June to November 2020).

3 EXPENSES BY NATURE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories sold	724,182	710,917
Cost of services provided	45,512	47,276
Auditor's remuneration		
Audit services	1,200	1,000
Non-audit services	781	989
Depreciation of property, plant and equipment	12,803	14,371
Depreciation of right-of-use assets	44,595	44,642
Amortization of intangible assets	537	–
Advertising and marketing expenses (excluding employee benefit expense)	13,726	8,965
Short-term lease payments	5,001	2,115
Variable lease payments	7,552	7,905
Gains on disposals of property, plant and equipment	(66)	(58)
Provision/ (reversal of provision) for inventories	723	(1,882)
Write-off of trade receivables	–	350
Legal and professional fee	4,565	1,694
Employee benefit expense	135,069	125,996
Foreign exchange differences, net	1,461	(1,923)
Others	70,386	61,578
	<u>1,068,027</u>	<u>1,023,935</u>
Total cost of sales, selling and distribution costs, advertising and marketing expenses and administrative expenses	<u><u>1,068,027</u></u>	<u><u>1,023,935</u></u>

4 INCOME TAX EXPENSE

For the year ended 31 March 2023, Hong Kong profits tax has been provided for at the rate of 16.5% (2022: 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 2023, one (2022: 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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax – Hong Kong		
Charge for the year	2,855	1,445
Under provision in prior years	104	58
Current tax – the PRC		
Charge for the year	320	494
	<u>3,279</u>	<u>1,997</u>
Deferred tax	(1,213)	1,782
Income tax expense	<u><u>2,066</u></u>	<u><u>3,779</u></u>

5 EARNINGS PER SHARE

The calculation of basic earnings per share is based on:

	2023	2022
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>40,810</u>	<u>18,110</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>3.44</u>	<u>1.53</u>

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

6 DIVIDENDS

The final dividend for the year ended 31 March 2022 amounting to HK\$11,853,000 was paid during the Year.

The Board has recommended the payment of a final dividend of 1 HK cent per ordinary share (2022: 1 HK cent per ordinary share) and a special dividend of 0.5 HK cent per ordinary share (2022: Nil), amounting to an aggregate of approximately HK\$17,780,000 for the year ended 31 March 2023. The proposed final dividend and the proposed special dividend for the Year are 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	46,418	44,811
Less: impairment loss on trade receivables	<u>(205)</u>	<u>(309)</u>
Trade receivables – net	<u>46,213</u>	<u>44,502</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 2023 and 2022, 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 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 2023 and 2022, 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Up to 30 days	38,467	34,237
31 to 60 days	4,838	5,497
61 to 90 days	1,093	892
91 to 120 days	17	811
Over 120 days	2,003	3,374
	46,418	44,811

8 TRADE AND BILLS PAYABLES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 3 months	56,757	58,750
Over 3 months	1,808	1,570
	58,565	60,320

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 D&P 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 D&P 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
- (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 executive directors of the Company. The executive 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.

(a) Operating segments

	Merchandise		Service		Investment		Corporate and Others		Eliminations		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	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	894,863	872,416	21,237	29,577	–	–	–	–	–	–	916,100	901,993
– Over time	–	–	163,145	113,247	–	–	–	–	–	–	163,145	113,247
Intersegment sales	53,313	48,251	4,472	4,040	–	–	–	–	(57,785)	(52,291)	–	–
Other income and gains, net	15,936	8,810	15,643	7,879	8,902	9,407	87,413	60,367	(98,730)	(68,396)	29,164	18,067
Changes in fair value of investment properties	–	–	–	–	5,867	14,281	–	–	–	–	5,867	14,281
Total	964,112	929,477	204,497	154,743	14,769	23,688	87,413	60,367	(156,515)	(120,687)	1,114,276	1,047,588
Segment profit/ (loss)	30,102	24,490	16,295	(12,239)	11,135	20,496	(12,919)	(9,635)	–	–	44,613	23,112
Interest income											2,397	1,159
Finance costs											(2,508)	(2,935)
Profit before income tax											44,502	21,336
Income tax expense											(2,066)	(3,779)
Profit for the year											42,436	17,557

	Merchandise		Service		Investment		Corporate and Others		Consolidated	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Assets and liabilities										
Segment assets	269,187	273,099	94,387	79,494	267,794	263,770	45,407	41,316	676,775	657,679
Unallocated assets									236,637	230,010
Total assets									913,412	887,689
Segment liabilities	122,531	136,685	59,343	46,239	9,898	10,039	3,980	2,955	195,752	195,918
Unallocated liabilities									38,951	40,733
Total liabilities									234,703	236,651
Other segment information:										
Depreciation of property, plant and equipment	4,371	5,079	6,043	7,043	-	-	2,389	2,249	12,803	14,371
Depreciation of right-of-use assets	21,783	23,724	22,812	20,918	-	-	-	-	44,595	44,642
Amortization of intangible assets	-	-	537	-	-	-	-	-	537	-
Capital expenditure ¹	4,459	7,181	6,011	1,660	-	-	4,594	452	15,064	9,293
Changes in fair value of investment properties	-	-	-	-	5,867	(14,281)	-	-	5,867	(14,281)
Provision/(reversal of provision) for inventories	723	(1,882)	-	-	-	-	-	-	723	(1,882)
Impairment loss on property, plant and equipment and right-of-use assets	1,740	-	-	602	-	-	-	-	1,740	602
Reversal of impairment loss on financial assets	-	-	(104)	(61)	-	-	-	-	(104)	(61)

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

(b) Geographic information

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from external customers – Hong Kong	<u>1,079,245</u>	<u>1,015,240</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets		
Hong Kong	257,362	252,258
PRC	<u>118,295</u>	<u>130,766</u>
	<u>375,657</u>	<u>383,024</u>

(c) Information about a major customer

Revenue of approximately HK\$35,827,000 (2022: HK\$36,767,000) was derived from sales by the merchandise segment to a single customer.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Review

Revenue and Results

Consolidated turnover of the Year was HK\$1,079 million, representing an improvement of 6.3% when compared with the Previous Year. With the relaxation of anti-Coronavirus Disease 2019 (“COVID-19” or “Pandemic”) measures, the reopening of international borders and the stabilized product supply in the Year, sales from segments of Photographic Products, Photographic and Technical Services, and B-to-B Commercial and Professional AV Products registered exceptional improvement in sales when compared with the Previous Year, while on the contrary, sales from segment of Consumer Electronic Products and Household Appliances slowed down after a strong growth for three consecutive years under the impact of the Pandemic.

Gross profit margin improved from 21.9% in the Previous Year to 24.6% in the Year, primarily due to the lowered ratio of fixed cost to sales following the increase in sales, mainly in the Photographic and Technical Services segment, and the focused efforts on the sales of high-margin items of different segments. During the Year, the Group received a subsidy of HK\$9.8 million from the ESS launched by the Government and the amount was booked as other income.

Expenses of the Group were increased to provide adequate resources to meet the demand from the recovering market and to satisfy the need for additional efforts for selling high-margin items. Advertising and marketing expenses increased significantly by 48.4% to HK\$14.6 million, mainly attributable to active participation in event sponsorship, TV advertising, product launch and promotional campaigns following the containment of the Pandemic during the Year. Selling and distribution expenses, amounted to 13.3% (FY2021/22: 13.4%) to sales, increased by 5.8% to HK\$143.9 million following the increase in sales and corporate alliance fee to a business partner after the resumption of the Group’s imaging solution business in the Hong Kong Disneyland Resort (the “Park”). Administration expenses rose by 13.5% to HK\$96.1 million, which was mainly due to the increase in staff cost and the net exchange loss of foreign currencies of HK\$1.5 million (FY2021/22: net exchange gains of HK\$1.9 million) following the depreciation of Renminbi.

Net profit attributable to shareholders was HK\$40.8 million, representing an improvement of 125.3% or HK\$22.7 million as compared to the Previous Year. Excluding the relevant portion of the ESS subsidy attributable to shareholders of HK\$9.3 million (FY2021/22: relevant portion of a clawback of previous overpaid ESS subsidy attributable to shareholders of HK\$107,000), the rent concessions offered by landlords of HK\$1.5 million (FY2021/22: HK\$0.9 million) and the valuation gains of investment properties of HK\$5.9 million (FY2021/22: HK\$14.3 million), net profit attributable to shareholders was HK\$24.1 million, up by 697.2% or HK\$21.1 million when compared with the Previous Year.

Earnings per share amounted to 3.44 HK cents (FY2021/22: 1.53 HK cents). Given the achievement in terms of profitability and the celebration of the 55th anniversary of FUJIFILM in Hong Kong, the Board recommends the payment of a final dividend of 1 HK cent per ordinary share and a special dividend of 0.5 HK cent per ordinary share for the Year.

Business Review

Merchandising

Photographic Products

Sales of digital cameras and lenses increased by 17.1% when compared with the Previous Year, reaching 71.7% of the sales of the pre-COVID-19 year of FY2018/19. Sales were particularly stimulated in Q3 and Q4 of the Year as overseas traveling gradually resumed after the relaxation of hotel quarantine requirements for arrivals in Hong Kong which made Hong Kong people more willing to travel and equip themselves with the latest and most advanced photographic equipment. In addition, dealers started to stock up for the expected increase in demand after the reopening of the border with China. On the other hand, sales of instant cameras and films recorded a noticeable increase of 26.6% and 46.0% respectively when compared with the Previous Year, which were driven by the resumption of social functions of all kinds. Although the depreciation of Japanese Yen in the Year made parallel products more competitive in terms of pricing, there was not much impact found on the sales of instant cameras for the Year because the global supply of instant cameras was still limited, and FUJIFILM Japan put extra effort to regulate its pricing policy in Japan considering the exchange rate of Japanese Yen.

The shortage of semi-conductors during the Pandemic in the past two years and the lockdown of Shanghai in Q1 of the Year severely affected the supply of stock and hit the sales over these periods hardly. However, with the containment of the Pandemic and the relaxation of anti-Pandemic measures of different countries across the world in the Year, the product supply has gradually picked up since Q2 of the Year and become stable again in Q3 and Q4. As a result, more new products were launched in the Year as compared to the Previous Year. Digital cameras launched in the Year included X-H2S, X-H2 and X-T5 in July, September and November 2022 respectively, while lenses launched in the Year comprised of XF150-600mm F5.6-8 R LM OIS WR in July 2022, XF56mm F1.2 R WR, XF18-120mm F4 LM PZ WR and GF20-35mm F4 R WR in September 2022 and XF30mm F2.8 R Macro in November 2022. Instant cameras and films launched in the Year included instax mini Link 2 printer in August 2022, instax SQUARE Link printer in November 2022, instax mini instant film (Spray Art) in November 2022 and instax mini instant film (Heart Sketch) in February 2023.

Given the top quality and the popularity of the digital cameras of the segment, a number of awards were received during the Year. FUJIFILM X-H2 was awarded as “Best APS-C mirrorless Camera 2022” by DCFever and “Best Mirrorless for Video 2022” by DPREVIEW respectively. FUJIFILM GFX100S was awarded as “Best Medium Format Digital Camera 2022” by DCFever. Moreover, FUJIFILM X-H2S was the winner of “Product of the Year 2022” and the runner-up of “Best Consumer Camera 2022” both by DPREVIEW. It was a blessing that the brand name of FUJIFILM was also awarded as “Stylish Digital Camera” in the 13th Your Choice@Focus, Hong Kong White Collar’s Favourite Brand Award 2022 by Focus Media.

In the Year, the segment participated in the “10 Years of X Mount” global campaign to celebrate the 10th anniversary of the state-of-art innovation. Besides, the segment organized the “Flash Mob@Fans Interaction with singer Alfred Hui x mini Evo” and the official launch of X-H2S and X-H2, and participated in the Hong Kong Camera & Imaging Festival in the first half of the Year and also held events like the “instax 想您好好多謝自己 Giveaways”, the “Birdshooting Workshop for X-H2S” and the “instax 情人的告白 Giveaways” in the second half of the Year. In March 2023, the Group participated in the “Hong Kong Disneyland 10K Weekend 2023” as the official imaging sponsor by sponsoring and providing printing services for the event.

Consumer Electronic Products and Household Appliances

Sales momentum of the segment remained strong over the past few years under the Pandemic, registering a growth rate of 43.8% from pre-COVID-19 year of FY2018/19 to the Year. However, sales was slowing down in the Year because the Pandemic was substantially contained, especially since late of Q3 when outbound travel resumed and demand for consumer electronic products and household appliances (especially products of home entertainment) dropped. Although sales in months when the Government Consumption Voucher (“GCV”) rolled-out was higher than other months in the Year, the stimulus effect brought by the GCV was obviously lessened as compared to the Previous Year because more alternatives for consumption were available upon the resumption of general economic activities. Sales for the Year dropped by 4.6% when compared with the Previous Year with retail sales and wholesales decreased by 3.2% and 7.2% respectively. Online sales registered a similar trend with a drop of 6.4% as people tended to get back to brick and mortar shopping once social distancing measures were lifted.

The segment had 13 stores as at the end of the Year (FY2021/22: 12 stores). A new Life Digital store focusing on the sales of the trendiest gadgets and electrical wellness products in the market, was opened in Prince’s Building in June 2022. This shop replaced the one located in the International Finance Centre which was closed in March 2022. Same store sales of the Year dropped by 2.2% when compared with the Previous Year. The ratios of sales, including retail and wholesale, of AV products, home appliances and other electronic accessories were 90.0% (FY2021/22: 89.4%), 7.6% (FY2021/22: 8.0%) and 2.4% (FY2021/22: 2.6%) respectively. Market competition became intense again following the recovery of the economy. In order to enhance the segment’s competitiveness, aggressive pricing strategies were adopted along with a healthy inventory level. Furthermore, sales focus was made on high-value items, mainly large-sized TV and high-end audio equipment, to sustain the sales volume and margin in the Year.

In the Year, on top of those GCV promotional activities, the segment also organized different seasonal and festival promotional and marketing activities to attract customers, including special offers on Mother’s Day and Father’s Day, summer and winter specials, namely the “Let’s Go Summer 玩盡啲”, the “冬日玩樂祭—想去邊度就去邊度” and “聖誕party 眾生相／聖誕交換禮物之攻防戰／賣喇叭的小女孩”, FIFA World Cup and AV Life anniversary. The segment also collaborated with different prestigious AV brands, for example, Cambridge Audio, Marshall, Samsung and LG, for exclusive promotional activities at shops. In addition, the Group’s chief executive officer and the managing director of AV Life were being interviewed in a TV program – “Hong Kong Stories” of Hong Kong Open TV in September 2022. They introduced the history, brand philosophy and sales strategy of AV Life in the show, thereby enhancing the brand awareness as a specialist AV store associated with the contemporary development of Hong Kong.

B-to-B Commercial and Professional AV Products

Sales of the segment continued to grow and recorded an increase of 24.6% when compared with the Previous Year, reaching 99.3% of the pre-COVID-19 year of FY2018/19. Demand for commercial and professional AV products improved following the resumption of social and commercial activities like conventions and exhibitions, hotel development and revamp projects. The improvement of sales was also attributable to the expansion of the brand portfolio on hospitality TVs and professional screen displays in Macau since the Previous Year, which offered a variety of products to meet the different needs and budget of individual customers.

Skincare Products

The segment experienced mixed factors in the Year. On one hand, demand for skincare products increased following the gradual resumption of social activities and the lifting of mask-wearing policy. On the other hand, the segment faced intense market competition because the resumption of overseas traveling and the depreciation of Japanese Yen had increased the supply of parallel products with competitive prices. Although the segment sales increased by 24.3% in the first half of the Year as compared to the same period of the Previous Year, the growth narrowed down to only 5.6% for the whole year.

To capture those sales diverted to physical stores in the market, the segment extended its presence by developing a new sales channel in Matsumoto Kiyoshi, a popular Japanese drug store selling a variety of Japan-imported skincare, cosmetics and medical products. Matsumoto Kiyoshi hit the segment's target customers well and brought promising sales for the segment in the Year. In addition, to cope with the depreciated Japanese Yen, the segment revised its pricing strategy and adjusted the prices of certain products during the Year to restore their competitiveness in the market.

During the Year, three new products were introduced to the market, including the Serum Wrinkle Repair Day Essence 5g, the Serum Wrinkle Repair Night Essence 18ml and the Serum Wrinkle Repair trial kit set. In addition, a variety of marketing and promotional activities focused on KOL collaboration and gift sets for word-of-mouth impact were held together with irresistible GCV promotion activities with bulk purchase discounts or gifts to tap into the stronger spending power following the roll-out of the GCV.

Servicing

Photographic and Technical Services

Fotomax recorded a surge of sales of 34.0% when compared with the Previous Year, reaching 107.7% of the pre-COVID-19 year of FY2018/19. In recent years, sales of Fotomax were severely affected by the suspension of social activities and overseas traveling under the Pandemic, which sharply cut the demand for photo-taking and photo D&P services as well as the demand for identity ("ID") photo taking for travel documents and passports. However, with the relaxation of social distancing measures, the reopening of borders for inbound and outbound travel and the lifting of mask-wearing policy in March 2023, sales of photo D&P and ID photos grew by 7.7% and 91.7% respectively when compared with the Previous Year. Other services, like DocuXpress, also registered a growth of 11.4%, mainly attributable to the price adjustment and the increased demand arising from the documents required for the appeal of GCV application.

The segment operated 54 Fotomax stores as at 31 March 2023 (31 March 2022: 55). Same store sales improved by 38.7%, while online sales grew by 12.4% due to the attractive promotions for online orders and the continuous revamp of the website of Fotomax which made it more user friendly. The marketing and promotional activities in the Year was highlighted by the 40th anniversary of Fotomax. To celebrate the precious occasion, a series of special offers on photo D&P and photographic related products were in place throughout the Year, which were well received by the market. In addition, in order to strengthen Fotomax's image as an established and reliable brand that always keeps abreast of the times, an innovative 40th anniversary logo designed by Mr. Stanley Wong, who is also known as "Another mountain man", a renowned artist and designer in Hong Kong, was used in all promotion and marketing materials of the Year. Another large-scale marketing and promotion event for the 40th anniversary was the sponsorship to the Miss Hong Kong Pageant 2022 organized by the Television Broadcasts Limited which significantly expanded the brand coverage in different media platforms.

On the other hand, sales of the imaging solution service at the the Park and Sky100 rebound by 86.8% from the very low base of the Previous Year resulted from the closure of the Park and the sharp decrease in the number of visitors during the peak of the Pandemic. Thanks to the withdrawal of requirements on vaccine passes and the lifting of mask-wearing policy towards the end of the Year, the traffic to the Park significantly increased, thereby driving the sales of imaging solution.

Professional AV Advisory and Custom Design and Installation Services

Although social and commercial activities, such as conventions, exhibitions, hotel development and revamp projects, were resumed in the Year, the segment's sales still dropped by 5.3% as compared with the Previous Year when the segment undertook a considerable amount of household projects for luxury homes and yachts. However, with the resumption of overseas traveling, the demand for household projects in the market dropped by 69.6% when compared with the Previous Year.

The segment experienced keen market competition when the economy was turning active again in the Year. Accordingly, the segment directed more resources to medium and small size system modification and upgrade projects and targeted at customers with solid and strong financial background to secure reasonable margins. Sales to Government authorities, educational institutions and hotels improved by 161.1%, 27.4% and 92.5% respectively while sales to other commercial sectors dropped by 18.6%.

OUTLOOK

Since the Pandemic has come to an end and social and economic activities have resumed, it is anticipated a growth in the sales of photographic products and services will be registered in the coming year given the increase in inbound and outbound travel and the stable supply of photographic products from FUJIFILM Japan. Besides, FY2023/24 marked the 55th anniversary of FUJIFILM in Hong Kong and a series of promotions will be in place to strengthen its brand name, which will further boost its sales under the recovery of the economy in Hong Kong.

On the other hand, the “Hello Hong Kong” campaign initiated by the Government will line up theme parks in Hong Kong to push up the traffic, in the hope of driving the sales of imaging solution in the Park. Moreover, the roll-out of the new GCV of a total of HK\$5,000 in April and July 2023 may continue to stimulate customers’ willingness to spend. However it is expected that the stimulus effect of GCV will slow down because more alternatives for consumption are available upon the resumption of social activities. In addition, the sales of consumer electronic products and household appliances is expected to slow down because, with the containment of COVID-19, more options for consumption will be in place along with the increase of social and economic activities. Nevertheless, with the secured relationship with vendors and the renowned brand name for professional AV products and services which has been laid down for long, especially during the Pandemic, the Group is still confident in the development of its business in consumer electronic products and household appliances.

Although online sales have attained prominent popularity during the Pandemic, the Group believes that brick and mortar stores will continue to be the key shopping platform for Hong Kong where shopping venues are easily accessible. It is especially applicable to the Group’s AV products because personalized and professional services like trial and testing are always preferred by AV lovers. Therefore, with the resumption of economic activities, the Group will pay extra effort in visual merchandising, strengthening its product mix and optimizing its service quality in physical stores. For ASTALIFT skincare products, the Group will expand its coverage in Matsumoto Kiyoshi in Hong Kong so not only to retain local or online customers but also tap in overseas visitors to Hong Kong. Collaborations and promotions between online platforms and physical stores will be another prioritized task to bring traffic to both platforms for all business segments.

The pace of the economic recovery in Hong Kong mainly depends on the development of the Pandemic, the measures taken by both the governments of China and Hong Kong, the geopolitical conditions and the global economy. However, it is quite sure that the gradual recovery of social and economic activities will induce intense competition in the labour market, so that the Group will experience challenges in hiring competent candidates to fill vacancies. In light of this, the Group will work out attractive packages to strengthen the Group’s competitiveness in the labour market. In addition, the Group sees a rising trend for shop rentals in the early stage of economic recovery so that the Group will develop cautious store strategies to rationalize the number of its stores, and will make every endeavour to initiate amicable negotiations with landlords for reasonable rental. All in all, the Group is optimistic about the market despite the uncertainties of the post-Pandemic period and the probable increase in operating costs.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial resources remained strong. As at 31 March 2023, the Group was debt-free and had cash and bank balances of HK\$236 million. The Group has adequate liquidity to meet its current and future working capital requirements.

OTHER WORKING CAPITAL

As at 31 March 2023, the Group's trade receivables stood at HK\$46 million while its inventories were worth HK\$177 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 AND SPECIAL DIVIDEND

Given the achievement in terms of profitability and the celebration of the 55th anniversary of FUJIFILM in Hong Kong, the Board recommends the payment of a final dividend of 1 HK cent per ordinary share for the year ended 31 March 2023 (FY2021/22: 1 HK cent) and a special dividend of 0.5 HK cent per ordinary share (FY2021/22: Nil), payable on 6 September 2023 to shareholders whose names appear on the register of members of the Company as at close of business on 18 August 2023 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 financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement 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 and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

AUDIT COMMITTEE

The Company has an audit committee (the "Committee") which was established in accordance with the Rules 3.21 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited for the purpose of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. The Committee comprises a total of three Independent Non-executive Directors and one Non-executive Director of the Company. The Group's financial statements for the year ended 31 March 2023, approved by the Board on 27 June 2023, 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 2022/23 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 2023.

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 2023.

Full details on the subject of corporate governance are set out in the Company's 2022/23 Annual Report.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company is scheduled to be held on Friday, 11 August 2023. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 8 August 2023 to Friday, 11 August 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 7 August 2023.

The record date for entitlement to the proposed final dividend and the proposed special dividend is Friday, 18 August 2023. For determining the entitlement to the proposed final dividend and the proposed special dividend, the register of members of the Company will be closed on both days of Thursday, 17 August 2023 and Friday, 18 August 2023, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and the proposal special 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 16 August 2023.

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

Dr. WONG Chi Yun, Allan

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

Hong Kong, 27 June 2023