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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 2024

HIGHLIGHTS

- Revenue increased by 2.1% to HK\$1,102 million (FY2022/23: HK\$1,079 million)
- Net profit attributable to shareholders of the Company was HK\$29.8 million (FY2022/23: HK\$40.8 million)
- Earnings per share amounted to 2.51 HK cents (FY2022/23: 3.44 HK cents)
- The Board of Directors recommends the payment of a final dividend of 1 HK cent per ordinary share (FY2022/23: final dividend of 1 HK cent per ordinary share and special dividend of 0.5 HK cent per ordinary share)

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 2024 (“FY2023/24” or the “Year”) with comparative figures for the previous year (“FY2022/23” or the “Previous Year”) as follows.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2024

	Note	2024 HK\$'000	2023 HK\$'000
Revenue	2	1,102,410	1,079,245
Cost of sales	3	<u>(823,265)</u>	<u>(813,444)</u>
Gross profit		279,145	265,801
Other income and gains, net	2	20,287	31,561
Changes in fair value of investment properties		(5,848)	5,867
Selling and distribution costs	3	(145,576)	(143,885)
Advertising and marketing expenses	3	(12,307)	(14,640)
Administrative expenses	3	(97,635)	(96,058)
Reversal of impairment loss on financial assets		–	104
Impairment loss on property, plant and equipment and right-of-use assets		<u>(4,170)</u>	<u>(1,740)</u>
Operating profit		33,896	47,010
Interest expense on lease liabilities		(2,456)	(2,508)
Share of results of an associate		<u>–</u>	<u>–</u>
Profit before income tax		31,440	44,502
Income tax expense	4	<u>(525)</u>	<u>(2,066)</u>
Profit for the year		<u>30,915</u>	<u>42,436</u>
Profit attributable to:			
Owners of the Company		29,756	40,810
Non-controlling interests		<u>1,159</u>	<u>1,626</u>
		<u>30,915</u>	<u>42,436</u>
Earnings per share attributable to owners of the Company for the year	5		
Basic		<u>2.51 HK cents</u>	<u>3.44 HK cents</u>
Diluted		<u>2.51 HK cents</u>	<u>3.44 HK cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2024

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit for the year	<u>30,915</u>	<u>42,436</u>
Other comprehensive loss:		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	<u>(3,028)</u>	<u>(2,912)</u>
Other comprehensive loss for the year	<u>(3,028)</u>	<u>(2,912)</u>
Total comprehensive income for the year	<u><u>27,887</u></u>	<u><u>39,524</u></u>
Attributable to:		
Owners of the Company	26,728	37,898
Non-controlling interests	<u>1,159</u>	<u>1,626</u>
	<u><u>27,887</u></u>	<u><u>39,524</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	Note	2024 HK\$'000	2023 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		35,012	24,432
Investment properties		258,851	265,324
Intangible assets		4,641	4,711
Right-of-use assets		90,559	81,190
Deposits		10,679	10,938
Deferred tax assets		4,222	169
Total non-current assets		403,964	386,764
Current assets			
Inventories		164,390	176,839
Contract assets		8,307	15,528
Trade receivables	7	71,305	46,213
Amount due from an associate		–	–
Prepayments, deposits and other receivables		49,362	51,600
Tax recoverable		–	549
Non-pledged time deposits with original maturity of over three months		24,932	–
Cash and bank balances		219,349	235,919
Total current assets		537,645	526,648
Total assets		941,609	913,412
EQUITY			
Equity attributable to owners of the Company			
Share capital		118,532	118,532
Reserves		570,414	559,086
		688,946	677,618
Non-controlling interests		(130)	1,091
Total equity		688,816	678,709

	<i>Note</i>	2024 HK\$'000	2023 HK\$'000
LIABILITIES			
Non-current liabilities			
Accrued liabilities		10,581	9,293
Lease liabilities		31,400	21,165
Deferred tax liabilities		27,994	30,251
		<hr/>	<hr/>
Total non-current liabilities		69,975	60,709
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade and bills payables	8	55,226	58,565
Contract liabilities		27,727	27,351
Accrued liabilities and other payables		50,510	45,538
Lease liabilities		37,285	33,840
Tax payable		12,070	8,700
		<hr/>	<hr/>
Total current liabilities		182,818	173,994
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		252,793	234,703
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total equity and liabilities		941,609	913,412
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Net current assets		354,827	352,654
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Total assets less current liabilities		758,791	739,418
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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 2023 and are relevant to its operations.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Amendments to Insurance Contracts
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

The Group has adopted the Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” on 1 April 2023, which resulted in the recognition of separate deferred tax assets and separate deferred tax liabilities for temporary differences arising on leases, both at initial recognition and subsequently. In accordance with the transitional provisions, the Group adopted the amendments for the first time by recognising deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. As a result, with the beginning of the earliest period presented being 1 April 2022, an adjustment of HK\$6,987,000 was recognised to the gross amounts of deferred tax assets and deferred tax liabilities simultaneously, and the resultant deferred tax assets and deferred tax liabilities met the setoff provisions and was presented on a net basis on the consolidated statement of financial position. Since the Group had considered the lease as a single transaction in which the assets and liabilities were integrally linked and recognised deferred tax on a net basis previously, there were no impact on opening retained earnings upon the adoption of the amendments.

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

(b) New standards and amendments to existing standards that have been issued but are not yet effective and have not been early adopted by the Group

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised)	1 January 2024
	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue		
Sale of goods	893,037	894,863
Income from the rendering of services	<u>209,373</u>	<u>184,382</u>
	<u>1,102,410</u>	<u>1,079,245</u>
Other income and gains, net		
Interest income on bank deposits	4,504	2,397
Gross rental income from investment properties	8,075	8,537
Marketing subsidies	5,767	5,818
Rent concessions from lessors	189	1,483
Income from Government grants		
– Employment Support Scheme ("ESS") ¹	–	9,754
Others	<u>1,752</u>	<u>3,572</u>
	<u>20,287</u>	<u>31,561</u>

¹ No Government subsidy was granted during the Year. (FY2022/23: 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).

3 EXPENSES BY NATURE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Cost of inventories sold	719,632	724,182
Cost of services provided	47,924	45,512
Auditor's remuneration		
Audit and audit-related services	1,700	1,625
Non-audit services	120	356
Depreciation of property, plant and equipment	12,464	12,803
Depreciation of right-of-use assets	43,714	44,595
Amortisation of intangible assets	709	537
Advertising and marketing expenses (excluding employee benefit expense)	9,901	13,726
Short-term lease payments	7,293	5,001
Variable lease payments	6,731	7,552
Losses/(gains) on disposals of property, plant and equipment	107	(66)
Provision for inventories	1,145	723
Legal and professional fee	2,415	4,565
Employee benefit expense	145,661	135,069
Foreign exchange differences, net	1,327	1,461
Others	77,940	70,386
	<u>1,078,783</u>	<u>1,068,027</u>
Total cost of sales, selling and distribution costs, advertising and marketing expenses and administrative expenses	<u>1,078,783</u>	<u>1,068,027</u>

4 INCOME TAX EXPENSE

For the year ended 31 March 2024, Hong Kong profits tax has been provided for at the rate of 16.5% (FY2022/23: 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 2024, one (FY2022/23: 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.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current tax – Hong Kong		
Charge for the year	6,284	2,855
(Over)/under provision in prior years	(120)	104
Current tax – the PRC		
Charge for the year	288	320
	<u>6,452</u>	<u>3,279</u>
Deferred tax	(5,927)	(1,213)
	<u>525</u>	<u>2,066</u>
Income tax expense	<u>525</u>	<u>2,066</u>

5 EARNINGS PER SHARE

The calculation of basic earnings per share is based on:

	2024	2023
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>29,756</u>	<u>40,810</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>2.51</u>	<u>3.44</u>

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2024 and 2023 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

6 DIVIDENDS

The final and special dividend for the year ended 31 March 2023 amounting to an aggregate of approximately HK\$17,780,000 was paid during the Year.

The Board has proposed the payment of a final dividend of 1 HK cent per ordinary share, amounting to approximately HK\$11,853,000 for the year ended 31 March 2024 (FY2022/23: 1 HK cent per ordinary share and special dividend of 0.5 HK cent per ordinary share, amounting to an aggregate of approximately HK\$17,780,000).

The proposed final dividend for the Year is subject to the approval by the shareholders of the Company in the forthcoming annual general meeting of the Company. These consolidated financial statements do not reflect this dividend payable.

7 TRADE RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	71,510	46,418
Less: impairment loss on trade receivables	<u>(205)</u>	<u>(205)</u>
Trade receivables – net	<u>71,305</u>	<u>46,213</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 2024 and 2023, 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 2024 and 2023, 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Up to 30 days	54,342	38,467
31 to 60 days	8,973	4,838
61 to 90 days	2,175	1,093
91 to 120 days	1,432	17
Over 120 days	4,588	2,003
	71,510	46,418

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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 3 months	52,717	56,757
Over 3 months	2,509	1,808
	55,226	58,565

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 monitor 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, non-pledged time deposits with original maturity of over three months, 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	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	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	893,037	894,863	23,320	25,432	–	–	–	–	–	–	916,357	920,295
– Over time	–	–	186,053	158,950	–	–	–	–	–	–	186,053	158,950
Intersegment sales	60,862	53,313	3,928	4,472	–	–	–	–	(64,790)	(57,785)	–	–
Other income and gains, net	11,634	15,936	2,785	15,643	8,350	8,902	69,843	87,413	(76,829)	(98,730)	15,783	29,164
Changes in fair value of investment properties	–	–	–	–	(5,848)	5,867	–	–	–	–	(5,848)	5,867
Total	965,533	964,112	216,086	204,497	2,502	14,769	69,843	87,413	(141,619)	(156,515)	1,112,345	1,114,276
Segment profit/(loss)	57,362	55,151	33,039	36,455	(5,196)	7,378	(55,813)	(54,371)	–	–	29,392	44,613
Interest income											4,504	2,397
Finance costs											(2,456)	(2,508)
Profit before income tax											31,440	44,502
Income tax expense											(525)	(2,066)
Profit for the year											30,915	42,436

	Merchandise		Service		Investment		Corporate and Others		Consolidated	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	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	285,893	269,187	89,805	94,387	260,910	267,794	56,498	45,407	693,106	676,775
Unallocated assets									248,503	236,637
Total assets									941,609	913,412
Segment liabilities	134,094	122,531	64,733	59,343	9,891	9,898	4,011	3,980	212,729	195,752
Unallocated liabilities									40,064	38,951
Total liabilities									252,793	234,703
Other segment information:										
Depreciation of property, plant and equipment (<i>Note 3</i>)	3,741	4,371	4,899	6,043	-	-	3,824	2,389	12,464	12,803
Depreciation of right-of-use assets (<i>Note 3</i>)	20,861	21,783	22,853	22,812	-	-	-	-	43,714	44,595
Amortisation of intangible assets (<i>Note 3</i>)	100	-	609	537	-	-	-	-	709	537
Capital expenditure ¹	7,027	4,459	849	6,011	-	-	16,591	4,594	24,467	15,064
Changes in fair value of investment properties	-	-	-	-	(5,848)	5,867	-	-	(5,848)	5,867
Provision for inventories (<i>Note 3</i>)	1,145	723	-	-	-	-	-	-	1,145	723
Impairment loss on property, plant and equipment and right-of-use assets	3,753	1,740	417	-	-	-	-	-	4,170	1,740
Reversal of impairment loss on financial assets	-	-	-	(104)	-	-	-	-	-	(104)

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:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers		
– Hong Kong	<u>1,102,410</u>	<u>1,079,245</u>

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

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
– Hong Kong	273,955	257,362
– PRC	<u>115,108</u>	<u>118,295</u>
	<u>389,063</u>	<u>375,657</u>

(c) Information about a major customer

Revenue of approximately HK\$46,225,000 (FY2022/23: HK\$35,827,000) was derived from sales by the merchandise segment to a single customer.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Review

Revenue and Results

Consolidated revenue for the Year amounted to HK\$1,102 million, representing a slight increase of 2.1% compared to the Previous Year. The Group experienced divergent performance across different business segments during the Year following the end of the Coronavirus Disease 2019 (“Pandemic”). Segments of Photographic Products, Photographic and Technical Services, B-to-B Commercial and Professional AV products as well as Professional AV advisory and Custom Design and Installation Services showed a strong sales momentum as social and business activities resumed normal operations. However, in contrast, the overall consumer sentiment remained prudent due to the uncertain economy and subdued performance of the domestic equity market as well as a sluggish property market. Segment of Consumer Electronic Products and Household Appliances, which had experienced strong growth during the Pandemic period, subsequently showed a downturn in the Year.

Gross profit margin improved from 24.6% in the Previous Year to 25.3% in the Year, primarily due to an increase in the proportion of sales from the Photographic and Technical Services segment, which had a relatively higher gross profit margin compared to other segments. Furthermore, less discounts were offered during the Year due to strong market demand for photographic products.

Advertising and marketing expenses were HK\$12.3 million, decreased by 15.9% compared to the Previous Year, and the ratio to sales also dropped from 1.4% to 1.1%. There were fewer aggressive promotion and marketing activities conducted during the Year because the demand for photographic products was much stronger than its supply during the Year.

Selling and distribution costs amounted to HK\$145.6 million, close to the Previous Year. A moderate increase in the rental of the Group’s retail shops was offset by the drop in sales commissions, merchant fees and delivery costs along with the decrease in the segment sales of Consumer Electronic Products and Household Appliances.

Administration expenses were HK\$97.6 million, 1.6% higher than the Previous Year, primarily attributable to the increase in depreciation following the office renovation and the increase in donation.

Net profit attributable to shareholders of the Company was HK\$29.8 million (Previous Year: HK\$40.8 million). Excluding the relevant portion of the ESS attributable to the shareholders of the Company granted by the Government of HK\$9.3 million in the Previous Year, the rent concessions offered by landlords of HK\$0.2 million in the Year and HK\$1.5 million in the Previous Year, and the valuation adjustments of investment properties in the Year and the Previous Year of HK\$5.8 million (loss) and HK\$5.9 million (gains) respectively, net profit attributable to shareholders of the Company was HK\$35.4 million in the Year, representing an improvement of 46.9% as compared to HK\$24.1 million in the Previous Year.

Earnings per share amounted to 2.51 HK cents (Previous Year: 3.44 HK cents). The Board recommends the payment of a final dividend of 1 HK cent per ordinary share for the Year.

Business Review

Merchandising

Photographic Products

The segment experienced robust growth in the Year with sales of digital cameras and lenses, and sales of instant cameras and films recording a 49.6% and 17.8% increase respectively compared to the Previous Year. This strong performance was driven by several factors.

The reopening of international borders and return of social and business activities led to a surge in demand for photographic equipment and accessories. A supply shortage of certain digital camera models was observed in the PRC during the Year, leading to increased demand for the Group's cameras from Chinese tourists who purchased them in Hong Kong. In addition, the segment's upgraded web site not only expanded its sales channel but also provided a comprehensive platform for marketing and promoting its products, increasing its popularity especially among youngsters. Besides, although the depreciation of Japanese Yen during the Year made parallel-imported products more affordable, this had only a slight impact on the segment's sales due to the global supply constraints and FUJIFILM Japan's efforts to regulate product pricing in Japan.

Nevertheless, the strong global demand for photographic equipment, coupled with the disruption of a LCD production factory in Japan following an earthquake in early January 2024, hindered the supply of digital cameras in Hong Kong, particularly in the second half of the Year. This resulted in a significant slowdown in sales growth compared to the same period of the Previous Year, from 103.5% in the first half to 8.9% of the second half.

The segment introduced several new digital cameras and lenses during the Year, including the X-S20, FUJINON LENS XF8MM F3.5 R WR, GFX100 II, and GF55MM F1.7 R WR in the first half of the Year, as well as the GF30MM F5.63 T/S, GF110MM F5.6 T/S MARCO, a special edition of the X100V for the Disney 100th anniversary, and the upgraded X100VI in the second half of the Year. In the instax camera, printer, and film product lines, the segment launched three new models: instax mini 12, instax SQUARE SQ40, and instax Pal™.

The quality and popularity of FUJIFILM products were recognised through several awards, including the “I.T. Supreme Digital Camera with Interchangeable Lenses” – FUJIFILM X-H2 in the Best of I.T. Award by PCM, the “Best APS-C Camera for Beginners” – FUJIFILM X-S20 and “Best Medium Format Mirrorless Camera” – FUJIFILM GFX100 II in the Best Photographic Equipment Awards 2023 by DCFever, and the “Stylish Digital Camera” – FUJIFILM Camera in the Hong Kong White Collar’s Favourite Brand Award 2023 by the 14th Your Choice@Focus.

The segment organised various marketing events to promote its products, including the Cat Shooting Fun Day (FUJIFILM 貓の美學貓攝體驗日) and the launch of the special edition FUJIFILM X100V camera for the celebration of the 100th anniversary of Disney in the first half of the Year, as well as X-Photographer seminars for the FUJIFILM GFX100 II, a media launch event for the instax Pal™, and a title sponsorship of the TVB program “Pretty Sweet” (網紅甜卡) featuring with instax Pal™ and X-S20 in the second half of the Year.

Consumer Electronic Products and Household Appliances

During the Pandemic, the segment experienced a three-year consecutive sales growth period as customers preferred to stay home and their spending was encouraged by the Government Consumption Voucher released by the Government, thus boosting the demand for home entertainment and household appliances. However, this growth trend reversed when the society resumed normal operations. As customers had more entertainment options, including overseas travel, and spent less time at home, the demand for home entertainment and household appliances dropped, leading to a decline in the segment sales during the Year.

Segment sales dropped by 17.0% compared to the Previous Year. This decline was reflected across all sales channels, with retail, wholesale and online sales dropping by 16.7%, 17.2% and 18.7%, respectively. However, the overall segment sales increased by 16.6% compared to the pre-Pandemic period of FY2019/20, driven by the increasing popularity of the AV Life, Life Digital and Wai Ming Electrical brand names.

AV products remained the main contributor to the segment sales, representing 89.6% (Previous Year: 90.4%) of the total segment sales. Home appliances, 3C products and other accessories accounted for the remaining 10.4% (Previous Year: 9.6%).

As at the end of the Year, the segment had 13 stores, the same as the end of the Previous Year. One store in Sau Kei Wan was closed, and a new store was opened in The Southside, Wong Chuk Hang during the Year.

During the Year, the segment continued to leverage social media and online promotion activities to raise brand awareness and reinforce its market position as the only specialist AV store in Hong Kong. Major promotion and marketing activities included joint promotions with the movie named “Everyphone Everywhere”, dedicated campaign months for renowned brand names like Samsung, Panasonic, LG and Sony, the British HIFI Month, the High End Audio & Visual Show Offer, the VIP previews for Samsung NEO OLED 8K TV, a joint promotion with Centaline Club, festive promotion activities for Singles’ Day, and a new shop promotion for The Southside.

B-to-B Commercial and Professional AV Products

The segment sales surged by 35.3% compared to the Previous Year, and a notable increase of 40.2% from the pre-Pandemic period of FY2019/20 was recorded. The growth in segment sales was achieved by a shift in the product mix, moving away from less popular projectors and projector screens to commercial TVs and interactive digital boards which experienced increasing market demand.

Sales of commercial TVs, primarily for hotels, increased by 61.6% compared to the Previous Year. This was mainly attributable to the reactivated hotel industry in Hong Kong and Macau, due to the opening of new hotels and the revamp of existing ones after the reopening of borders, as well as the distributorship right granted by LG for commercial TVs in Macau in recent years, which expanded the segment's product portfolio and addressed the differentiated needs of customers.

Meanwhile, interactive digital boards gained popularity among commercial firms and schools as sophisticated technologies made the products more affordable. These products showed an exponential growth of 273.2% as compared with the Previous Year.

Skincare Products

The segment experienced a challenging year, with a 21.5% decrease in sales compared to the Previous Year. Intense competition and promotional activities by other brands and major shopping malls posed significant challenges, given the segment's online-focused business model. Additionally, the depreciation of Japanese Yen made parallel-imported products more price-competitive, as customers could make their purchase directly from Japan at lower costs during their travels.

To sustain business growth, the segment adopted decisive measures, including adjusted retail prices in Hong Kong to strengthen pricing competitiveness, expanded the customer base by seeding ASTALIFT products on Xiaohongshu through key opinion customers and key opinion leaders, and secured more exposure by arranging consignment in stores of the beauty and drug chain, Tokyo Lifestyle, across high-traffic locations in Hong Kong like Tsim Sha Tsui (Facesss), Kowloon Bay (Telford Plaza), Tai Wai (The Wai) and Tsuen Wan (Nina Mall).

The segment launched two new products during the Year: The Serum Brightening and The Serum Multi-Tune. Additionally, the segment's products received various industry accolades, including (i) The Serum Brightening: VOCE No. 2 in Brightening category in May 2023 and February 2024 respectively; and (ii) The Serum Multi-Tune: LIPS 2023 No.2 in Beauty Liquid category.

Servicing

Photofinishing and Imaging Services

The segment recorded a notable growth in sales (excluding sales from the Hong Kong Disneyland Resort (the "Park") and Sky100) during the first half of the Year. However, for the full year, the segment's sales ended with only a slight increase of 0.7% compared to the Previous Year. This was mainly due to the slide in demand for identity ("ID") photo-taking services in the second half of the Year, after experiencing a surge in demand since the fourth quarter of the Previous Year. The complete reopening of borders brought increased need for travel document applications which drove a tremendous jump in sales of ID photo-taking services in the first half of the Year, as Hong Kong residents had held off on renewing their travel documents during the Pandemic. While ID photo-taking sales increased by 40.6% in the first half of the Year, they subsequently dropped by 34.0% in the second half of the Year, resulting in a net decrease of 1.6% compared to the Previous Year.

On the other hand, D&P services managed to capture a 7.0% increase in sales compared to the Previous Year. The resumption of social activities and overseas travel helped to drive the demand for D&P services, while price adjustments also played an important role. Additionally, the sales of the one-stop document solution, DocuXpress, which supports document processing and printing services for the educational and commercial sectors, increased marginally by 1.9%.

The segment continued to optimise its network, operating 52 Fotomax stores as of 31 March 2024, down from 54 the Previous Year, due to the closure of underperforming branches in Lok Fu and Shun Tak. To enhance the operational efficiency and to attract more customers, the segment replenished and refreshed its product mix, adjusted the logistic flow of frontline staff and inventory management, and identified new customer groups, such as young professionals and pet owners, to whom relevant thematic products were launched. Additionally, the Fotomax shop at Pioneer Centre was transformed into a new concept store targeting young customers.

To boost the segment sales, the segment initiated various marketing activities, including celebrations for special events like Mother's Day and Father's Day, general festive promotions such as Chinese New Year, and specific thematic activities. These included the introduction of personalised red pockets and Fai Chun for pet owners during Chinese New Year, the "Back to School" collection featuring Disney characters, and collaborations with TORODODO for cute stationery products and the launch of the "FOTOPET" brand for pet-related items.

The imaging solution service in the Park experienced a strong recovery of 245.9% in sales compared to the Previous Year, primarily attributable to the reopening of the Park, the increase in operating days from 255 days in the Previous Year to 328 days in the Year, the influx of overseas tourists with stronger purchasing power, and the new "World of Frozen" attraction that opened in November 2023.

Professional AV Advisory and Custom Design and Installation Services

The segment experienced a 7.5% increase in sales compared to the Previous Year, primarily attributable to the normalisation of economic activities and the resumption of operations in both the private and public sectors. In the private sector, the segment witnessed a surge in decoration projects for residential and commercial properties, as many individuals and corporations were willing to invest in upgrading their AV facilities to enhance their living and working environments. In the public sector, sales from hospitals particularly increased by 43.7% due to upgrading of video conferencing facilities and the regular replacement of equipment in service. However, sales from universities and schools fell by 78.9% as many of them had already conducted major upgrades to their facilities in previous years. The segment actively collaborated with key technology partners and suppliers to expand its product and service offerings and continued its effort to maintain strong relationships with existing clients for long term cooperation.

OUTLOOK

Looking ahead, the Group maintains a cautiously optimistic view on the prospects of the Company and the recovery of the Hong Kong economy, despite the prevailing global uncertainties. This cautious optimism is underpinned by several factors, including the Government's proactive support for the tourism sector in Hong Kong. The Government's initiatives to organise festive and mega events are expected to attract more overseas tourists and stimulate consumer sentiment. Importantly, the anticipated growth in inbound and outbound tourist numbers is expected to have a direct, positive impact on the Group's photographic-related business segments, driving increased demand for its imaging solutions within the Park as well as greater sales of photographic equipment to travelers.

Furthermore, the resumption of new hotel projects, renovation programs for existing hotel properties, and the increasing number of international conferences and festive and mega events organised in Hong Kong are expected to drive higher demand for the Group's commercial TV and professional AV solutions. This, in turn, is anticipated to benefit the Group's B-to-B Commercial and Professional AV Products and Professional AV Advisory and Custom Design and Installation Services segments. The Group is well-positioned to meet this growing demand and expects to see increased revenue and profitability in these B-to-B AV operations.

Additionally, the recent removal of the "spicy measures" (i.e., special stamp duties for property transactions) and the anticipated cut in US interest rates are expected to provide a stimulus to the property market, thereby contributing to the overall economy boost and driving increased demand for consumer electronic products and household appliances.

To adapt to the evolving market trends, the Group will initiate proactive measures, such as the launch of the new "FOTOMETA" brand under Fotomax targeting young customers and pet owners, as well as securing the imaging solution provider role for the upcoming KidZania project in Hong Kong. The FOTOMETA shop, opened in May 2024 at the Airside, Kai Tak, is featured with selfie booths and pet photo-shooting studio on top of Fotomax's provision of traditional photo finishing services. KidZania is warmly welcomed across different parts of the world by offering a unique blend of inspiration, fun and educational experiences to kids through realistic role-playing games. The KidZania in Hong Kong will be housed in 11 SKIES and opened in mid-2024.

In the Group's Consumer Electronic Products and Household Appliances segment, AV Life will stick to a prudent store strategy and will focus more on high-end AV equipment like speakers, soundbars and amplifiers to meet the increasing demand from customers in pursuit of quality lifestyle and AV experiences.

However, the Group remains mindful of the uncertainties arising from geopolitical tensions and the global economy, such as the continued weakness of Renminbi and the potential delay in US interest rate cuts, which could have a detrimental impact on the retail sector in Hong Kong.

Despite these challenges, the Group maintains its confidence in its ability to navigate the uncertainties by closely monitoring the changing market trend, adapting corresponding strategies and leveraging its core competencies. The Group is committed to delivering sustainable and long-term value for its shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial resources remained strong. As at 31 March 2024, the Group was debt-free and had cash and bank balances and non-pledged time deposits with original maturity of over three months of an aggregate of HK\$244 million. The Group has adequate liquidity to meet its current and future working capital requirements.

OTHER WORKING CAPITAL

As at 31 March 2024, the Group's trade receivables stood at HK\$71 million while its inventories were worth HK\$164 million. The Group continued to put every effort to manage credit control and debt collection and to adopt a prudent inventory management strategy.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of 1 HK cent per ordinary share for the year ended 31 March 2024 (FY2022/23: final dividend of 1 HK cent per ordinary share and special dividend of 0.5 HK cent per ordinary share), payable on 11 September 2024 to shareholders whose names appear on the register of members of the Company as at close of business on 16 August 2024 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 2024 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 four Independent Non-executive Directors and one Non-executive Director of the Company. The Group's financial statements for the year ended 31 March 2024, approved by the Board on 25 June 2024, 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 2023/24 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 2024.

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 C1 of the Listing Rules throughout the year ended 31 March 2024.

Full details on the subject of corporate governance are set out in the Company's 2023/24 Annual Report.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company is scheduled to be held on Friday, 9 August 2024. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 6 August 2024 to Friday, 9 August 2024, 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, 5 August 2024.

The record date for entitlement to the proposed final dividend is Friday, 16 August 2024. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on both days of Thursday, 15 August 2024 and Friday, 16 August 2024, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, unregistered holders of shares of the Company shall ensure that all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4.30 p.m. on Wednesday, 14 August 2024.

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. LAU William Wayne

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, 25 June 2024