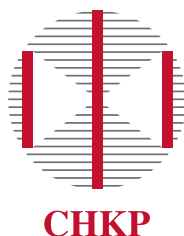


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**CHINA-HONGKONG PHOTO PRODUCTS HOLDINGS LIMITED**  
**中港照相器材集團有限公司**  
(Incorporated in Bermuda with limited liability)  
(Stock Code: 1123)

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

**HIGHLIGHTS**

- For the six months ended 30 September 2020, the consolidated turnover of China-Hongkong Photo Products Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”), amounted to HK\$452 million, representing a decrease of 5.0% from HK\$476 million for the six months ended 30 September 2019
- Results varied across different business segments: sales of photographic and imaging products and services fell, but sales of consumer electronic products and household appliances rose considerably
- The Group’s results were aided by various pandemic subsidies from the Government; foreign exchange gains; together with stringent cost and inventory management
- The Group’s net profit attributable to shareholders was HK\$18.7 million compared to the loss of HK\$2.0 million recorded in the same period last year
- Basic earnings per share amounted to HK1.57 cents (first half of the financial year 2019/20: basic loss per share of HK0.17 cent). The board (the “Board”) of directors (the “Directors”) of the Company does not recommend the payment of an interim dividend

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

		<b>For the six months ended</b>	
		<b>30 September</b>	
	<i>Note</i>	<b>2020</b>	2019
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>	2	<b>452,014</b>	476,185
Cost of sales		<u>(353,561)</u>	<u>(363,768)</u>
<b>Gross profit</b>		<b>98,453</b>	112,417
Other income and gains	3	<b>28,684</b>	8,053
Selling and distribution costs		<b>(62,464)</b>	(66,454)
Advertising and marketing expenses		<b>(4,496)</b>	(11,757)
Administrative expenses		<u>(40,042)</u>	<u>(42,540)</u>
<b>Operating profit/(loss)</b>		<b>20,135</b>	(281)
Finance cost		<b>(1,399)</b>	(1,771)
Share of results of an associate		<u>—</u>	<u>—</u>
<b>Profit/(loss) before income tax</b>	4	<b>18,736</b>	(2,052)
Income tax expense	5	<u>(699)</u>	<u>(680)</u>
<b>Profit/(loss) for the period</b>		<u><b>18,037</b></u>	<u>(2,732)</u>
<b>Profit/(loss) attributable to:</b>			
– Owners of the Company		<b>18,667</b>	(1,988)
– Non-controlling interests		<u>(630)</u>	<u>(744)</u>
		<u><b>18,037</b></u>	<u>(2,732)</u>
<b>Earnings/(loss) per share attributable to owners of the Company</b>	7		
Basic earnings/(loss) per share		<u><b>HK1.57 cents</b></u>	<u>HK(0.17) cent</u>
Diluted earnings/(loss) per share		<u><b>HK1.57 cents</b></u>	<u>HK(0.17) cent</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit/(loss) for the period</b>	<b>18,037</b>	<b>(2,732)</b>
<b>Other comprehensive income/(loss)</b>		
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	<b>1,576</b>	<b>(2,345)</b>
Item that will not be reclassified to profit or loss		
Gain on revaluation of property	–	1,959
Item that has been reclassified to profit or loss		
Realisation of accumulated exchange differences upon liquidation of a subsidiary	–	92
	<u>–</u>	<u>92</u>
<b>Total comprehensive income/(loss) for the period</b>	<b><u>19,613</u></b>	<b><u>(3,026)</u></b>
<b>Total comprehensive income/(loss) attributable to:</b>		
– Owners of the Company	<b>20,243</b>	<b>(2,282)</b>
– Non-controlling interests	<b>(630)</b>	<b>(744)</b>
	<u>–</u>	<u>–</u>
	<b><u>19,613</u></b>	<b><u>(3,026)</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2020**

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
	<i>Note</i>	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	36,872	38,582
Investment properties	225,789	225,436
Right-of-use assets	84,917	101,507
Deposits	12,609	12,354
Deferred tax assets	135	174
<b>Total non-current assets</b>	<u>360,322</u>	<u>378,053</u>
<b>Current assets</b>		
Inventories	114,769	169,508
Contract assets	6,887	2,035
Trade receivables	8 44,100	43,675
Amount due from an associate	9 —	—
Prepayments, deposits and other receivables	37,737	32,545
Tax recoverable	232	232
Cash and bank balances	273,890	197,314
<b>Total current assets</b>	<u>477,615</u>	<u>445,309</u>
<b>Total assets</b>	<u>837,937</u>	<u>823,362</u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	118,532	118,532
Reserves	508,784	488,541
	627,316	607,073
Non-controlling interests	828	1,458
<b>Total equity</b>	<u>628,144</u>	<u>608,531</u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Accrued liabilities	5,437	5,778
Lease liabilities	24,508	34,191
Deferred tax liabilities	27,569	27,413
<b>Total non-current liabilities</b>	<u>57,514</u>	<u>67,382</u>
<b>Current liabilities</b>		
Trade and bills payables	10 49,972	44,511
Contract liabilities	19,576	11,972
Accrued liabilities and other payables	41,575	40,040
Lease liabilities	32,920	43,329
Tax payable	8,236	7,597
<b>Total current liabilities</b>	<u>152,279</u>	<u>147,449</u>
<b>Total liabilities</b>	<u>209,793</u>	<u>214,831</u>
<b>Total equity and liabilities</b>	<u>837,937</u>	<u>823,362</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual financial statements for the year ended 31 March 2020 and any public announcements made by the Company during the interim reporting period.

### 1.1 Accounting policies

The Group has adopted and applied, for the first time, the following new standards that have been issued and effective for the accounting period beginning on 1 April 2020:

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform
HKFRS 3 (Amendments)	Definition of A Business

The adoption of the above amendments to standards did not have significant financial impact on the Group’s condensed consolidated interim financial information.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 April 2020 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
HKFRS 17	Insurance contracts	1 April 2023
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 April 2022
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 April 2023
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use	1 April 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 April 2022
Annual Improvements	Annual Improvements to HKFRSs 2018-2020 Cycle	1 April 2022

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.

## 2 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable 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, commercial and professional audio and visual products;
- (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 business in investment properties and other investment businesses; and
- (iv) the corporate and others segment comprises the Group's corporate income and expense items.

The chief operating decision-maker of the Group has been identified as the Board of Directors. The Board of Directors monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before income tax. The adjusted profit/(loss) before income 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.

The following table presents revenue and profit/(loss) of the Group's segments for the six months ended 30 September 2020 and 2019.

## (Unaudited)

	Merchandise		Service		Investment		Corporate and other		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
<b>Segment revenue:</b>												
Sales to external customers												
– At a point in time	383,801	383,431	10,116	13,783	-	-	-	-	-	-	393,917	397,214
– Overtime	-	-	58,097	78,971	-	-	-	-	-	-	58,097	78,971
Inter-segment sales	20,556	47,187	2,158	2,022	-	-	-	-	(22,714)	(49,209)	-	-
Other income and gains	29,845	4,090	14,239	1,844	7,087	6,052	1,856	1,019	(25,076)	(5,888)	27,951	7,117
<b>Total</b>	<b>434,202</b>	<b>434,708</b>	<b>84,610</b>	<b>96,620</b>	<b>7,087</b>	<b>6,052</b>	<b>1,856</b>	<b>1,019</b>	<b>(47,790)</b>	<b>(55,097)</b>	<b>479,965</b>	<b>483,302</b>
<b>Segment results</b>	<b>16,635</b>	<b>(438)</b>	<b>5,667</b>	<b>1,584</b>	<b>980</b>	<b>1,245</b>	<b>(3,880)</b>	<b>(3,608)</b>	<b>-</b>	<b>-</b>	<b>19,402</b>	<b>(1,217)</b>
Interest income											733	936
Interest expense											(1,399)	(1,771)
<b>Profit/(loss) before income tax</b>											<b>18,736</b>	<b>(2,052)</b>
Income tax expense											(699)	(680)
<b>Profit/(loss) for the period</b>											<b>18,037</b>	<b>(2,732)</b>

### 3 OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Rental income from investment properties	4,392	4,002
Interest income on bank deposits	733	936
Marketing subsidy	1,810	975
Rental income from equipment	368	525
Rent concessions from lessors	2,081	–
Government grants		
– Employment Support Scheme (“ESS”) (i)	14,380	–
– Retail Sector Subsidy Scheme (“RSS”) (ii)	3,800	–
– Other government grants	50	–
Others	1,070	1,615
	<u>28,684</u>	<u>8,053</u>

*Note:*

- (i) The amount represents salaries and wages subsidies granted under Anti-Epidemic Fund launched by the Government of the Hong Kong Special Administrative Region for the use of paying wages of employees from June to September 2020.
- (ii) The amount represents government subsidies granted under Anti-Epidemic Fund launched by the Government of the Hong Kong Special Administrative Region for subsidising retail stores' operation.



#### 4 PROFIT/(LOSS) BEFORE INCOME TAX

The Group's profit/(loss) before income tax is arrived at after charging/(crediting):

	For the six months ended 30 September	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Loss on disposals of equipment	2	220
(Reversal)/provision for inventories ( <i>Note (a)</i> )	(1,695)	1,468
Cost of inventories sold ( <i>Note (a)</i> )	320,222	318,001
Cost of services provided ( <i>Note (a)</i> )	35,034	44,299
Foreign exchange differences, net	(1,029)	2,129
Professional and legal expenses	190	760
Depreciation of property, plant and equipment	7,360	7,674
Depreciation of right-of-use assets	<u>22,206</u>	<u>28,244</u>

*Note (a):*

Included in "Cost of sales" on the face of the condensed consolidated income statement.

#### 5 INCOME TAX EXPENSE

	For the six months ended 30 September	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current income tax:		
– Hong Kong:		
Charge for the period	150	175
Over-provision in prior years	–	(21)
– People's Republic of China ("PRC"):		
Charge for the period	<u>510</u>	<u>461</u>
	660	615
Deferred tax	<u>39</u>	<u>65</u>
Total tax expense for the period	<u>699</u>	<u>680</u>

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 six months ended 30 September 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 period in the PRC has been calculated at the rates of tax prevailing in the location in which the Group operates.

## 6 DIVIDEND

The Board of Directors does not recommend the payment of any interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

## 7 EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

### (a) Basic earnings/(loss) per share

The calculations of the basic earnings/(loss) per share for the six months ended 30 September 2020 and 2019 are based on:

	<b>For the six months ended 30 September</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
<b>Profit/(loss):</b>		
Profit/(loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculation (HK\$'000)	<u><b>18,667</b></u>	<u>(1,988)</u>
<b>Shares:</b>		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings/(loss) per share calculation	<u><b>1,185,318,349</b></u>	<u>1,185,318,349</u>

### (b) Diluted earnings/(loss) per share

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 September 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2020 and 2019.

## 8 TRADE RECEIVABLES

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 60 days.

An ageing analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	<b>30 September 2020 (Unaudited) HK\$'000</b>	31 March 2020 (Audited) HK\$'000
Up to 30 days	29,458	32,468
31 to 60 days	10,845	7,921
61 to 90 days	1,029	887
91 to 120 days	295	1,168
Over 120 days	<u>2,473</u>	<u>1,231</u>
	<u><b>44,100</b></u>	<u><b>43,675</b></u>

## 9 AMOUNT DUE FROM AN ASSOCIATE

	<b>30 September 2020 (Unaudited) HK\$'000</b>	31 March 2020 (Audited) HK\$'000
Unlisted shares, at cost	–	–
Amount due from an associate	32,720	32,720
Less: Provision for impairment ( <i>Note (a)</i> )	<u>(32,720)</u>	<u>(32,720)</u>
	<u><b>–</b></u>	<u><b>–</b></u>

*Note (a):*

The Directors of the Company are of the opinion that the credit risk of the amount due from an associate is considered to be high because the associate has been incurring losses and has net deficit as at 30 September 2020 (31 March 2020: Same), which, it has become uncertain that continuing financial support can be provided by the associate's holding company to enable the associate to settle this balance. Provision for impairment of HK\$32,720,000 was recognised as at 30 September 2020 and 31 March 2020.

The carrying amount of the amount due from an associate approximates to its fair value.

There are no contingent liabilities relating to the Group's interest in an associate.

## 10 TRADE AND BILLS PAYABLES

An ageing analysis of the Group's trade and bills payables as at the end of the reporting period, based on the date of goods purchased and services rendered, is as follows:

	<b>30 September 2020 (Unaudited) HK\$'000</b>	31 March 2020 (Audited) HK\$'000
Within 3 months	<b>48,853</b>	42,386
Over 3 months	<u><b>1,119</b></u>	<u>2,125</u>
	<u><b>49,972</b></u>	<u>44,511</u>

## 11 RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in the condensed consolidated interim financial information, the Group has the following significant related party transactions carried out in the normal course of the Group's business during the period.

The Group's compensation of key management personnel are as follows:

	<b>For the six months ended 30 September</b>	
	<b>2020 (Unaudited) HK\$'000</b>	2019 (Unaudited) HK\$'000
Short term employee benefits	<b>3,081</b>	3,768
Post-employment benefits	<u><b>35</b></u>	<u>36</u>
Total compensation paid to key management personnel	<u><b>3,116</b></u>	<u>3,804</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVENUE AND RESULTS

The Group's consolidated turnover for the six months ended 30 September 2020 amounted to HK\$452 million, down 5.0% from the HK\$476 million recorded over the same period last year. The Group's net profit attributable to shareholders was HK\$18.7 million compared to a loss of HK\$2.0 million over the six months ended 30 September 2019.

Businesses across the board are facing an exceptionally difficult time in the financial year 2020/21. The impact of the Coronavirus Disease 2019 ("COVID-19") on global trade and economic stability has been huge. Plummeting consumer sentiment, rising unemployment, and COVID-19-related travel restrictions and social distancing measures greatly reduced in-person store traffic and caused a slump in Hong Kong retail sales from January 2020 onwards. On-going Sino-US tensions have further affected trade at many levels. The Group has not been immune, although some of its business segments have been more affected than others.

During the period under review, demand for photographic products and services fell markedly. The Group's commercial and professional audio and visual ("AV") product segment and its related installation services were also affected as businesses slashed their capital expenditure budgets and scaled back their social and commercial promotional activities. There was, however, a silver lining for the Group. With more people staying at home, many redirected their overseas travel budgets toward local purchases of consumer electronic products and household appliances. As a result, the Group's sales in these categories grew significantly during the period under review, helping offset some of the sales losses in other segments.

The Group's gross profit margin decreased to 21.8% during the first six months of the financial year compared to 23.6% over the same period last year. This was primarily due to a drop in sales of photofinishing and imaging services, which typically generate higher margin for the Group.

The Group recognised early on that measures would need to be taken to maintain a healthy level of working capital. Management identified two key areas to achieve this: a series of stringent cost control initiatives and an aggressive stock clearance programme.

In terms of cost control, the Group achieved short-term gains by negotiating with landlords for short-term rental concessions on certain shops and seeking fee reductions from business partners. It was also able to achieve some temporary cost reductions between March and May 2020 by reducing the working hours of part-time staff, introducing temporary unpaid leave arrangements and implementing a temporary salary reduction for top management.

At the same time, the Group carried out an aggressive stock clearance programme with primary focus on photographic and professional AV products. A number of clearance sales featuring attractive discounts effectively reduced stock quantities, improved cashflow and avoided the need to keep marking down stock value on obsolescent older models.

On the other hand, the Group benefited directly from various pandemic subsidies provided by the Government during the period under review, including the Retail Sector Subsidy Scheme and the Employment Support Scheme. These allowed the Group to continue operating in a difficult time without having to lay off any staff. In total, government subsidies received during the period amounted to HK\$18 million, a figure that has been booked in the accounts under “Other Income”. In addition, a stronger Renminbi saw the Group achieve a foreign exchange gain of HK\$1.0 million for the period, by comparison with the foreign exchange loss of HK\$2.1 million recorded in the same period last year. This turnaround of over HK\$3 million also contributed to the Group’s improved profit for the current period.

## **MERCHANDISING**

### **Photographic Products**

The Group’s sales of digital cameras and lenses dropped by 23.6% while sales of instant cameras and films decreased 46.6% compared to the same period last year. The contraction of the economy and concerns about the economic outlook led to weaker consumer sentiment for luxury items like cameras. The significant year-on-year fall in tourist arrivals caused a major sales downturn for some of the Group’s key dealer shops. Travel restrictions brought about by COVID-19 also dampened camera sales, which are often driven by consumers preparing to go abroad on holiday. Sales of instax instant cameras declined largely due to restrictions on social gatherings, which is where these cameras are mainly used.

Certain marketing and promotional events were curtailed or cancelled due to the pandemic. However, the Group made successful efforts to avoid accumulating obsolescent items through special discount sales and bundle sales during the period under review.

### **Consumer Electronic Products and Household Appliances**

Sales for this segment rose by 19.4% compared to the same period last year. Retail sales increased 27.3% while same-store sales grew 24.0% and wholesale sales went up 5.7%. All-round demand for consumer electronic products and household appliances was significantly boosted by the travel restrictions and social distancing measures imposed in Hong Kong, which drove consumers to seek better entertainment and lifestyle options in their own homes. In addition, one thing that boosted spending by locals during the period was the scheduled end of analogue TV transmission from December 2020, which prompted many customers to upgrade to digital TVs. This in turn led to a rise in sales of smaller, lower-priced TV sets.

As at 30 September 2020, the segment had 13 stores, same as at 31 March 2020 and 30 September 2019. The Group has also expanded its e-commerce platform since last year, which has been welcomed by consumers who prefer to shop from the safety of their own homes. During the period, e-commerce sales contributed 6.1% of the segment's total sales.

The Group also adjusted its store business strategy, shifting focus away from household appliances like refrigerators and kitchen appliances and toward AV products such as hi-fi systems and televisions. On the contrary, many consumers are happy to purchase household appliances online, so the Group moved many of these products onto its e-commerce platform.

### **B-to-B Commercial and Professional AV Products**

The Group's sales in this segment dropped by 20.8% compared to the same period last year. This was primarily related to COVID-19 as most large social and commercial events were suspended or cancelled during the period which led to a decrease in demand for professional AV products. In addition, many businesses cut back their capital expenditure budgets in the face of the economic downturn, including their spending on professional AV equipment. To maintain good cashflow, the segment cleared excess stock by offering special discounts on a range of items, especially projectors and hotel TVs during the period under review.

### **Skincare Products**

The majority of the Group's ASTALIFT brand skincare products are sold online, which brought benefits during COVID-19 as more consumers began to embrace online purchase and delivery options. The Group's sales website for skincare products is well established and boasts a user-friendly interface and secure payment gateway, making it easy and safe to use. This helped drive a 28.0% rise in online sales (via the Group's own website as well as third-party platforms), which contributed to a 7.2% year-on-year sales increase for the skincare segment overall. Offsetting this slightly was a 5.4% decrease in sales from the ASTALIFT AEON consignment counter and the Group's own FUJIFILM Studio store.

## **SERVICING**

### **Photofinishing and Imaging Services**

This segment of the Group's business suffered the most from the impact of COVID-19, with overall sales decreasing 25.5% compared to the same period last year and online sales falling 11.3%. These declines were due to a number of restrictions imposed by the government to control the spread of the virus, all of which directly affected traditional demand for photofinishing and imaging services in different ways. As a result, photo developing and photofinishing sales fell by 44.0% in value while the number of prints processed dropped by 38.5% in comparison with the first six months of the previous financial year.

ID photo-taking sales fell by 25.9% year on year, with the number of prints processed decreasing 26.3%. DocuXpress sales, on the other hand, rose by 2.2% during the period as more people working or studying from home and needing convenient printing and related services.

As at 30 September 2020, there were 57 Fotomax stores compared to 58 stores as at 31 March 2020 and 30 September 2019. Same-store sales dropped by 23.1% on a yearly comparative basis. Despite the economic downturn, the Group continued to enhance its product lines and expand its product variety. It also engaged in online group buy and joint promotions with third parties carrying strong membership bases which gave the Group the chance to reach out to new customers even during the pandemic.

The Group's new imaging service at the Hong Kong Disneyland Resort, launched since July 2019, suffered considerably due to the closure of Hong Kong Disneyland Park for most of the period under review. Management negotiated hard with business partners for reductions in areas related to fixed costs like software support and corporate alliance fee, and the Group saved staff costs by reducing part-time working hours at the Park. However, the business struggled due to the situation, and it will need time to re-establish its footing once the Park resumes normal operations. Management will collaborate with business partners on promotional offers designed to kick-start the business once again.

### **Professional AV Advisory and Custom Design and Installation Services**

Like the Group's B-to-B Commercial and Professional AV Products segment, this business was affected by many serious project delays and cancellations due to COVID-19, which led to a 22.9% decrease in overall sales for the segment as compared with the same period last year. The Group does recognise that commercial projects are likely to be hard to come by in the near future, so its plan is for this segment to place greater focus on acquiring business from NGOs and the public sector. Maintenance contracts will also be an area for exploration and development.

## **OUTLOOK**

Although some of the tightest COVID-19 restrictions have begun to be lifted in Hong Kong as at the time of writing, many uncertainties remain. Demand for photographic products and services is likely to remain weak if travel restrictions persist in the coming months and years. Meanwhile, the Government has made it clear that no further Employee Support subsidies will be offered to businesses once the first two rounds end in November 2020. There is the possibility that job losses and business closures may follow, further dampening consumer sentiment. Under this scenario, sales will remain depressed for a considerable period.

All businesses face these uncertainties, which present difficult challenges to how they plan for the future. The Group has plenty of experience adapting its business to social and technological changes, and it is approaching the future with a positive mindset. At the heart of its efforts in the year ahead will be upholding its core values while monitoring the pandemic and moving quickly in response to market trends.



The Group will look ceaselessly to expand the variety of its product offerings, with special focus on its growing consumer electronic products and household appliances segment. The Group will also continue its longstanding and profitable collaboration with FUJIFILM Japan, riding on that company's world-renowned R&D efforts and acclaimed photographic technology. The Group will soon become FUJIFILM Japan's official distributor in Hong Kong of binoculars and certain cleaning products, including alcohol spray and disinfectant wipes.

Cost control will be another important focus for the future. The Group will continue reviewing and streamlining its operational flows to create a leaner, more efficient cost structure. Expenses will be pared back wherever possible through negotiations with landlords and service providers to achieve rental relief and better deals. The Group will also review its store placement strategies regularly. At the inventory level, it will aim to keep enough hot items in stock to meet demand while avoiding the accumulation of ageing items. With the pandemic having created uncertainties in global supply chains, the Group will also be sharpening its purchase planning and keeping in close touch with vendors to ensure steady product supplies.

Finally, the Group will continue to embrace technology, especially the e-commerce trend. Planned initiatives include revamping some of the Group's brand websites, starting with Fotomax, to improve the shopping experience for online customers; collaborating with more third-party online shopping platforms; and expanding the range of e-payment methods made available to customers.

## **LIQUIDITY, FINANCIAL RESOURCES AND OTHER WORKING CAPITAL**

The Group's financial resources remain strong. As at 30 September 2020, the Group had cash and bank balances of HK\$274 million and was debt-free. The Group has adequate liquidity to meet its current and future working capital requirements. As at 30 September 2020, the Group's trade receivables stood at HK\$44 million while its inventories were worth HK\$115 million.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

## **AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS**

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 six months ended 30 September 2020, approved by the Board of Directors on 27 November 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. In addition, the Company's auditors PricewaterhouseCoopers, have also reviewed the

aforesaid unaudited interim financial information in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

## **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 six months ended 30 September 2020.

Full details on the subject of corporate governance are set out in the Company’s 2019/2020 Annual Report.

## **INTERIM DIVIDEND**

The Board of Directors does not recommend any interim dividend for the six months ended 30 September 2020.

## **SUBSEQUENT EVENTS**

Subsequent to 30 September 2020, the outbreak of COVID-19 continues and a series of precautionary and control measures have been and continued to be adopted by the Group. As the duration of the COVID-19 outbreak is still uncertain, the extent of its impact on the Group’s operations and financial performance cannot be determined as at the date of this announcement. The Group will pay close attention to the development of the COVID-19 outbreak, perform further assessment of its impact and make announcement(s) as and when necessary.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement will be published on the websites of the Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinahkphoto.com.hk](http://www.chinahkphoto.com.hk)) and the 2020/2021 Interim 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:*

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 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 November 2020