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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 2022**

HIGHLIGHTS

- Revenue increased by 13.0% to HK\$538 million (the Previous Period: HK\$476 million)
- Net profit attributable to shareholders was HK\$12.2 million (the Previous Period: HK\$3.0 million)
- Basic earnings per share amounted to HK1.03 cents (the Previous Period: HK0.25 cent)
- The Board does not recommend the payment of any interim dividend

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of China-Hongkong Photo Products Holdings Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2022 (the “Period”) together with the comparative figures for the same period last year (the “Previous Period”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

		For the six months ended	
		30 September	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	2	537,593	475,918
Cost of sales		<u>(413,923)</u>	<u>(367,654)</u>
Gross profit		123,670	108,264
Other income and gains, net	3	19,742	8,769
Changes in fair value of investment properties		(6,221)	–
Selling and distribution costs		(74,274)	(67,340)
Advertising and marketing expenses		(4,674)	(3,433)
Administrative expenses		(46,761)	(40,767)
Reversal of/(provision for) impairment loss on financial assets		105	(322)
Impairment loss on right-of-use assets		<u>(169)</u>	–
Operating Profit		11,418	5,171
Interest expense on lease liabilities		(1,298)	(1,516)
Share of results of an associate		<u>–</u>	<u>–</u>
Profit before income tax	4	10,120	3,655
Income tax credit/(expense)	5	<u>2,137</u>	<u>(503)</u>
Profit for the period		<u>12,257</u>	<u>3,152</u>
Profit attributable to:			
– Owners of the Company		12,236	2,996
– Non-controlling interests		<u>21</u>	<u>156</u>
		<u>12,257</u>	<u>3,152</u>
Earnings per share attributable to owners of the Company	7		
Basic		<u>HK1.03 cents</u>	<u>HK0.25 cent</u>
Diluted		<u>HK1.03 cents</u>	<u>HK0.25 cent</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	For the six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	12,257	3,152
Other comprehensive (loss)/income		
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	<u>(4,423)</u>	<u>669</u>
Total comprehensive income for the period	<u>7,834</u>	<u>3,821</u>
Total comprehensive income attributable to:		
– Owners of the Company	7,813	3,665
– Non-controlling interests	<u>21</u>	<u>156</u>
	<u>7,834</u>	<u>3,821</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

	30 September	31 March
	2022	2022
	(Unaudited)	(Audited)
<i>Note</i>	HK\$'000	HK\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	27,452	28,529
Intangible assets	2,730	–
Investment properties	252,903	260,174
Right-of-use assets	84,615	94,321
Deposits	11,142	12,472
Deferred tax assets	167	190
	<u>379,009</u>	<u>395,686</u>
Total non-current assets		
Current assets		
Inventories	167,824	155,237
Contract assets	10,356	7,241
Trade receivables	8 59,351	44,502
Amount due from an associate	9 –	–
Prepayments, deposits and other receivables	52,332	55,203
Tax recoverable	530	590
Cash and bank balances	216,446	229,230
	<u>506,839</u>	<u>492,003</u>
Total current assets		
Total assets		
	<u>885,848</u>	<u>887,689</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	118,532	118,532
Reserves	529,001	533,288
	<u>647,533</u>	<u>651,820</u>
Non-controlling interests	(514)	(782)
	<u>647,019</u>	<u>651,038</u>
Total equity		

		30 September	31 March
		2022	2022
		(Unaudited)	(Audited)
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Accrued liabilities		5,854	5,009
Lease liabilities		21,544	29,026
Deferred tax liabilities		27,878	31,621
		<u>55,276</u>	<u>65,656</u>
Total non-current liabilities		55,276	65,656
Current liabilities			
Trade and bills payables	10	59,492	60,320
Contract liabilities		31,554	19,645
Accrued liabilities and other payables		45,989	44,190
Lease liabilities		36,709	37,728
Tax payable		9,809	9,112
		<u>183,553</u>	<u>170,995</u>
Total current liabilities		183,553	170,995
Total liabilities		238,829	236,651
Total equity and liabilities		885,848	887,689
Net current assets		323,286	321,008
Total assets less current liabilities		702,295	716,694

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 2022 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 the annual financial statements. Accordingly, this financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2022 and any public announcements made by the Company during the interim reporting period.

1.1 Accounting policies

The accounting policies applied are consistent with those as described in the annual financial statements, except for the adoption of new and amended standards as set out in 1.1(a). In addition, the Group adopted the following accounting policy in relation to intangible assets during the current interim period:

Intangible assets

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software into usage. Computer software is carried at cost less accumulated amortisation and impairment, if any. These costs are amortised over their estimated useful lives of 5 years.

- (a) Amended standards and revised conceptual framework adopted by the Group

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 2022:

Amendments to Hong Kong Financial Reporting Standards (“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
Annual Improvements	Annual Improvements to HKFRSs 2018-2020 Cycle

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

- (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

The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 April 2022 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 17 and Amendments to HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	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 from a Single Transaction	1 January 2023

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 (“AV”) products;
- (ii) the service segment engages in the provision of technical services for photographic developing and processing (“D&P”) products, imaging solution, professional AV 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. The Board 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 the Group's segment results for the six months ended 30 September 2022 and 2021.

(Unaudited)												
	Merchandise		Service		Investment		Corporate and other		Eliminations		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	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	453,938	397,145	11,173	16,985	–	–	–	–	–	–	465,111	414,130
– Overtime	–	–	72,482	61,788	–	–	–	–	–	–	72,482	61,788
Inter-segment sales	22,584	21,646	2,643	2,257	–	–	–	–	(25,227)	(23,903)	–	–
	476,522	418,791	86,298	81,030	–	–	–	–	(25,227)	(23,903)	537,593	475,918
Other income and gains, net, excluding interest income on bank deposits	33,400	23,867	8,416	4,859	7,254	7,122	1,650	1,692	(31,788)	(29,322)	18,932	8,218
Changes in fair value of investment properties	–	–	–	–	(6,221)	–	–	–	–	–	(6,221)	–
Total	509,922	442,658	94,714	85,889	1,033	7,122	1,650	1,692	(57,015)	(53,225)	550,304	484,136
Segment results	17,899	8,169	3,276	(2,625)	(3,343)	2,763	(7,224)	(3,687)	–	–	10,608	4,620
Interest income											810	551
Interest expense											(1,298)	(1,516)
Profit before income tax											10,120	3,655
Income tax credit/(expense)											2,137	(503)
Profit for the period											12,257	3,152

3 OTHER INCOME AND GAINS, NET

	For the six months ended 30 September	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Rental income	4,713	3,926
Interest income on bank deposits	810	551
Marketing subsidies	3,448	3,970
Rent concessions from lessors	307	120
Income from/(clawback of) government grants		
– Employment Support Scheme (<i>Note</i>)	10,004	(164)
– Other government grants	–	15
Others	460	351
	<u>19,742</u>	<u>8,769</u>

Note:

The amount represents salaries and wage subsidies granted under the Anti-Epidemic Fund by the Government of the Hong Kong Special Administrative Region for the use of paying wages of employees from May to July 2022.

4 PROFIT BEFORE INCOME TAX

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

	For the six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold (<i>Note (a)</i>)	371,987	326,323
Cost of services provided (<i>Note (a), (b)</i>)	42,034	43,013
Reversal of provision for impairment of inventories (<i>Note (a)</i>)	(98)	(1,682)
(Gain)/loss on disposals of equipment	(26)	74
Foreign exchange differences, net	2,202	(385)
Depreciation of property, plant and equipment (<i>Note (c)</i>)	5,424	6,138
Amortisation of intangible assets (<i>Note (d)</i>)	239	–
Depreciation of right-of-use assets (<i>Note (e)</i>)	23,481	21,218
	<u>371,987</u>	<u>326,323</u>

Note:

- (a) Included in “Cost of sales” on the face of the condensed consolidated income statement.
- (b) Included depreciation of property, plant and equipment of HK\$1,052,000 (2021: HK\$1,066,000).
- (c) Depreciation expenses of HK\$2,819,000 (2021: HK\$3,093,000) and HK\$2,605,000 (2021: HK\$3,045,000) have been charged to “Selling and distribution costs” and “Administrative expenses” respectively.
- (d) Amortisation expenses of HK\$36,000 (2021: HK\$Nil) and HK\$203,000 (2021: HK\$Nil) have been charged to “Selling and distribution costs” and “Administrative expenses” respectively.
- (e) Depreciation expenses of HK\$22,379,000 (2021: HK\$20,309,000) and HK\$1,102,000 (2021: HK\$909,000) have been charged to “Selling and distribution costs” and “Administrative expenses” respectively.

5 INCOME TAX CREDIT/(EXPENSE)

	For the six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong:		
Charge for the period	(825)	(177)
Over-provision in prior years	–	20
– The People Republic of China (the “PRC”):		
Charge for the period	(296)	(365)
	<u>(1,121)</u>	<u>(522)</u>
Deferred tax	3,258	19
	<u>3,258</u>	<u>19</u>
Total tax credit/(expense) for the period	<u>2,137</u>	<u>(503)</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 2022, one (2021: 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 does not recommend the payment of any interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

The proposed final dividend of HK1 cent per ordinary share for the year ended 31 March 2022 was approved by the shareholders at the annual general meeting held on 12 August 2022. The final dividend for the year ended 31 March 2022 amounting to approximately HK\$11,853,000 was paid on 7 September 2022.

7 EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic earnings per share

The calculations of the basic earnings per share for the six months ended 30 September 2022 and 2021 are based on:

	For the six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
Profit:		
Profit attributable to owners of the Company, used in the basic earnings per share calculation (<i>HK\$'000</i>)	<u>12,236</u>	<u>2,996</u>
Shares:		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	<u>1,185,318,349</u>	<u>1,185,318,349</u>

(b) Diluted earnings per share

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 September 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2022 and 2021.

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 120 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:

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Up to 30 days	35,347	34,237
31 to 60 days	14,881	5,497
61 to 90 days	7,988	892
91 to 120 days	785	811
Over 120 days	554	3,374
	<u>59,555</u>	<u>44,811</u>
Less: loss allowances	(204)	(309)
	<u>59,351</u>	<u>44,502</u>

9 AMOUNT DUE FROM AN ASSOCIATE

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Unlisted shares, at cost	–	–
Amount due from an associate	32,720	32,720
Less: provision for impairment (<i>Note</i>)	(32,720)	(32,720)
	<u>–</u>	<u>–</u>

Note:

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 2022 (31 March 2022: net deficit). It was uncertain that whether continuing financial support could 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 2022 and 31 March 2022.

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:

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Within 3 months	56,941	58,750
Over 3 months	2,551	1,570
	59,492	60,320

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:

	For the six months ended 30 September	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Total compensation paid to key management personnel		
– Short term employee benefits	3,547	2,690
– Post-employment benefits	27	27
	3,574	2,717

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

REVENUE AND RESULTS

Coronavirus Disease 2019 (“COVID-19” or the “Pandemic”) became moderated during the Period after the 5th wave reached its peak in the 4th quarter of FY2021/22. Businesses of most segments of the Group outperformed and rebounded from the Previous Period and the Group recorded a consolidated revenue of HK\$538 million for the Period, representing an increase of 13.0% as compared to the Previous Period. Nonetheless, inventory supply, anti-Pandemic measures including compulsory quarantine policy and support of the Government Consumption Vouchers (“GCV”) had varied impact on the performance of each segment. Details are contained in the section of Business Segment Review.

Net profit attributable to the shareholders of the Company for the Period was HK\$12.2 million, representing an increase of 308.4% as compared to the Previous Period. In addition to the improvement in sales and gross profit, the increase in net profit was also contributed by the recognition of the subsidy entitled under the Employment Support Scheme of the Government of HK\$10.0 million. However, the increase was offset to a certain extent by the revaluation loss of investment properties mainly located in the PRC of HK\$6.2 million and the exchange loss on bank balance of HK\$2.2 million, both were the inevitable outcome of the sharp depreciation of Renminbi of approximately 10% recorded since March 2022.

Basic earnings per share was HK1.03 cents for the Period (the Previous Period: HK0.25 cent). As there are still lots of uncertainties shadowed the global economy and the business performance of the Group, the Board does not recommend the payment of any interim dividend for the Period.

BUSINESS SEGMENT REVIEW

MERCHANDISING

Photographic Products

The demand for photographic products increased as compared to the Previous Period due to the relaxation of certain social distancing measures and the support from the GCV during the Period. However, the growth of sales of digital cameras and lenses was still hindered by the product supply from FUJIFILM Japan. It was particularly during the 1st quarter of the Period when the product supply was severely affected by the lockdown of Shanghai which was the production base of certain spare parts of cameras and lenses. Fortunately, the supply was improved in the 2nd quarter and two new models of digital cameras namely X-H2S and X-H2 and four new lenses were launched to help compensating the loss in the sales of these products during the 1st quarter of the Period, resulting in an overall sales growth of 10.5% as compared to the Previous Period.

The sales of instax cameras, films and printers maintained its momentum originated from FY2021/22 and registered a remarkable growth of 76.2% as compared to the Previous Period. On top of the support from the GCV, restrictions on outbound travel and price adjustments of instax products made by FUJIFILM Japan significantly restrained the parallel import of instax products and helped driving sales of the Group. The popular instax mini EVO marketed in the 2nd half of FY2021/22 and the newly launched instax mini Link 2 smartphone printer were highly rated by the market and drove remarkable sales during the Period.

During the Period, the Group participated in a 4-day “Hong Kong Camera & Imaging Festival 2022” held in Star Hall, KITEC, Kowloon Bay, which was supported by a number of renowned international photographic-related brands and was defined as one of the biggest and comprehensive exhibitions for photographic-related products in Hong Kong in recent years. In the event, the Group promoted the brand of FUJIFILM and demonstrated the latest models of its cameras and lenses which were all well-received by the public. In addition, in order to promote the new products, the Group placed 2 series of television commercials for X-H2S and X-H2 respectively and marketed instax mini Link 2 through different social media and KOL trial sharing.

Consumer Electronic Products and Household Appliances

This segment experienced notable growth over the last few years despite the impact of disastrous COVID-19 as the occasions of overseas trips of Hong Kong people were significantly reduced under the stringent restrictions on global travel and the shift of relevant budgets to domestic AV products for enhancing home entertainment. The segment’s sales increased by 46.9% as compared to the pre-COVID-19 period of FY2019/20. However, with the reopening of borders of many countries and the gradual relaxation of hotel quarantine policy in Hong Kong during the Period, the growth of this segment slowed down from double-digit period-on-period since FY2020/21 to 9.2% this Period.

The GCV provided great incentives to customers looking for high-priced items, and electronic products and household appliances would always be their first choice. The Group made available different kinds of payment gateway to facilitate customers in spending their GCVs. The segment saw particularly high in sales during the months when GCVs were issued, namely April and August of this Period and August of last year.

With 13 stores as at end of the Period (same as end of the Previous Period), retail sales (including sales from e-commerce platforms) grew by 9.9% as compared with the Previous Period because the average ticket size of each transaction was up by 9.8% with the increase in sales of high-priced AV products. During the Period, a new Life Digital store at Prince’s Building was opened in June, which replaced the International Finance Centre branch closed in March. The new store had sophisticated design and offered the finest selection of brands of lifestyle products in the market, including the trendiest gadgets and wellness products. The proportion of retail sales of AV products, home appliances and 3C and other accessories were 89.3% (FY2021/22: 87.2%); 7.7% (FY2021/22: 8.8%) and 3.0% (FY2021/22: 4.0%) respectively. In respect of wholesales, sales rose by 8.0%. 92.0% of wholesales sales came from AV products and 8.0% came from home appliances.

Regarding marketing and promotion functions, the Group collaborated with different prestigious AV brands, namely Cambridge Audio, Marshall, Samsung and LG, for exclusive promotional activities at shops. In addition, for the sake of attracting more customers, the Group featured with popular gourmet and travel-related groups like Green Common, Maxim's and KKday for offering consumption coupons on purchases made in AV Life, and these campaigns were well received by the market. Early bird discounts and rebate programs were also provided to capitalize on opportunities brought by the GCV.

In order to increase the public awareness of the new Life Digital store in Prince's Building, the Group put relentless effort in creating an exclusive Instagram account, sending eDM to its members and sharing editorials in popular social media platforms. In addition, the Group's CEO 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. The program introduced the history, brand philosophy and sales strategy of AV Life, which helped enhancing the brand awareness as a specialist AV store associated to the development of Hong Kong.

B-to-B Commercial and Professional AV Products

Sales of this segment greatly improved by 37.7% as compared to the Previous Period, which had been recovered significantly from the Pandemic and represented up to 92.1% of the sales back to the pre-COVID-19 period of FY2019/20.

Social and commercial activities like weddings and exhibitions were gradually resumed in terms of number and scale during the Period as the Pandemic was getting stable. Demand for commercial and professional AV products, like hospitality TVs for hotels and professional displays, was stimulated as a result. The new distributorship of certain hospitality TVs and professional screen displays in Macau that was granted in late FY2021/22 also facilitated the increase in sales of this segment. In addition, the popularity of e-learning and the promotion of digitalized classrooms by the Government in recent years drove the demand for advanced AV technology as well as top notch digital AV equipment. Accordingly, the segment sourced more 4K-integrated cameras and interactive digital boards during the Period to tap into the demand from schools and educational institutions.

Skincare Products

Sales of Astalift products showed an encouraging improvement of 21.2% as compared to the Previous Period. The growth was mainly come from Astalift's new sales channel in Matsumoto Kiyoshi, a popular Japanese drug store selling a variety of Japan-imported skincare, cosmetic and medical products secured a foothold in Hong Kong recently. The popularity of Matsumoto Kiyoshi successfully brought Astalift products to the public, thus contributing 18.4% of sales to the segment for the Period. In addition, the segment launched a series of irresistible GCV promotion activities with bulk purchase discounts or gifts with purchases, which helped tapping into the stronger spending power following the roll-out of the GCV.

While no new product was launched during the Period, the segment focused on spreading the brand's philosophy and instilling the unique functions of its existing products, especially its signature items of D-UV Clear product, Jelly Aquarysta and Collagen Drinks, among its customers through posts in social media and trial sharing of KOLs.

SERVICING

Photofinishing and Imaging Services

Sales of Fotomax was greatly affected by both inbound and outbound tourism of Hong Kong. The restriction in global travelling over the past few years greatly impaired the demand for photo D&P and imaging products like DIY photobooks and personalized imaging gifts. Sales of these businesses remained weak during the Period and recorded only a slight increase of 1.4% and a decrease of 8.2% respectively. On the other hand, following the border reopening of many countries and the relaxation of compulsory quarantine requirements for inbound persons to “3+4” in August 2022 and “0+3” in September 2022 in Hong Kong, locals had a strong desire to go for overseas travel. The city saw a surge in the number of renewal as well as new application for passports and visas starting from September 2022, which drove the demand for ID photo taking services and brought an increase in the sales of ID photo of 28.6% as compared to the Previous Period. DocuXpress, the one-stop document solution offered by the Group, delivered an increase of 11.4% in sales. The demand for photocopying increased during the Period because a number of Hong Kong people was in need of meeting the documentation requirement for appealing against their disqualification from the GCV. The increase in sales in ID photo and DocuXpress compensated the loss of sales in other imaging services, making a 13.9% increase of overall sales of Fotomax (excluding sales from the Hong Kong Disneyland Resort (the “Park”) and Sky100) as compared to the Previous Period.

With one new store opened and one store closed during the Period, the number of Fotomax stores as at end of this Period maintained at 54, same as the end of the Previous Period. Like-for-like sales improved by 15.0%. Regarding online sales, given the continuous revamp of Fotomax website and the focus on online sales promotion, including free delivery for online orders, both the number of online transactions and the average ticket size of each order increased, contributing a growth of 11.5% as compared to the Previous Period.

On the other hand, the businesses of the imaging solution service at the Park and Sky100 remained weak because of the restriction on inbound tourism and the closure of the Park and Sky100 till late April 2022 following the 5th wave of the Pandemic. Nevertheless, the sales from these imaging solution services still recorded an increase of 8.8% as compared to the Previous Period, mainly because many local visitors were attracted by the newly renovated Castle and firework performance in the Park.

In order to celebrate the 40th anniversary of Fotomax in FY2022/23, a series of special discount offers on photo D&P and photographic related products were in place during the Period, which was well received by the market. In addition, to strengthen Fotomax’s image as an established and reliable brand that always keeps pace with the times, an innovative 40th anniversary logo designed by Mr. Stanley Wong, a Hong Kong famous artist who also known as “Another mountain man”, was used in all promotion and marketing materials during the Period. Another large-scale brand marketing and promotion event for the 40th anniversary of Fotomax was the sponsorship to the well-known Miss Hong Kong Pageant 2022 organized by the Television Broadcasts Limited. The sponsorship significantly expanded the coverage of the brand in different media platforms.

Professional AV Advisory and Custom Design and Installation Services

The segment's sales from the Government and educational institutions increased by 16.4% as compared to the Previous Period due to the resumption of projects for upgrading the video conferencing facilities. However, the number of projects from the private sector, like luxury residential homes and yachts, dropped significantly, resulting in a decrease of the relevant sales by 58.5%. Renovation and revamp of facilities in luxury residential homes and yachts were popular during the peak of the Pandemic over the last few years as people were willing to spend more time at their own premises, but the number of these kinds of projects dropped following the gradual resumption of social activities, the reopening of borders and the lifting of quarantine requirements of other countries. Accordingly, the overall sales of the segment was down by 15.2% as compared to the Previous Period.

OUTLOOK

Although many countries are recovering from the chaos caused by COVID-19, the global outlook is still deteriorated markedly through FY2022/23 amid high inflation situations, tightening monetary policies and uncertainties brought about by the war in Ukraine and the lingering Pandemic. Hong Kong is a renowned international financial centre with a strong network with countries all over the world, and the recovering path of Hong Kong will no doubt be affected by the global economy, the Pandemic and the corresponding response of governments of Hong Kong and China.

Though the sales growth of the Group will not be noticeable until China reopens its border and Hong Kong relaxes the stringent anti-pandemic measures, like mask wearing policy, PCR testing and quarantine requirements, the recent lifting of compulsory quarantine requirement did stimulate both inbound and outbound tourism, which is absolutely beneficial to the Group's segments of photographic products and services. In the second half of the year, the Group will market a number of new products, including X-T5 digital camera and instax square LINK printer, for Photographic Products segment, and the Serum Wrinkle Repair Day and Night Essences for Skincare Products segment. Corresponding marketing and promotion programs will be followed in the hope of capturing the revitalizing consumer sentiments.

On the other hand, the gradual resumption of outbound travel and the depreciation of foreign currencies against Hong Kong dollars will certainly shift local spending to overseas trips, and this will particularly affect the Group's segments of Consumer Electronic Products and Household Appliances. In order to secure the business in the long run, the Group will focus on customer-centricity and strengthen the management of its customer relationship to enhance customers' experiences and loyalty. In addition, as October 2022 marked the 20th anniversary of the establishment of the first AV Life store, together with the 2022 FIFA World Cup to be held in November and December 2022 (World Cup in the past always drove sales for TV), more marketing and promotion events will be held for TV and AV products to boost sales.

In general, having realized that the demand for different business segments of the Group will react differently to the development of economy and anti-pandemic measures, the Group will continue to work closely and cautiously with suppliers and adjust its inventory level and portfolio reasonably to balance its cost structure and market expectation. Same as in the past, the Group will be attentive and innovative to any noticeable market change, and will adopt cautious store strategies and cost management measures, providing the Group with courage and confidence to ride the waves under the turbulent times ahead.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial resources remain strong. As at 30 September 2022, the Group had cash and bank balances of HK\$216 million and was debt-free. The Group has adequate liquidity to meet its current and future working capital requirements.

OTHER WORKING CAPITAL

As at 30 September 2022, the Group's trade receivables stood at HK\$59 million while its inventories were worth HK\$168 million. The Group continued to put every effort to manage credit control and debt collection and to adopt a prudent inventory management strategy.

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 Period.

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 2022, approved by the Board on 25 November 2022, 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 external auditors PricewaterhouseCoopers, have also reviewed the aforesaid unaudited condensed consolidated 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 HKICPA.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to achieving high corporate governance standards.

During the six months ended 30 September 2022, the Company has applied the principles set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules.

The Board is of the view that the Company has complied with the code provisions as set out in the CG Code throughout the six months ended 30 September 2022.

Details of the Company’s corporate governance can be found in the Company’s FY2021/22 Annual Report.

UPDATE OF CYBER SECURITY AND CUSTOMER DATA

Reference is made to the Company’s announcement dated 29 October 2021 in relation to the unauthorised access to certain systems and databases of the Group’s subsidiary – Fotomax (F.E.) Limited (“Fotomax”) (the “Incident”), which occurred in October 2021. The Group has then introduced a series of strong, decisive measures to implement tightened data collection and retention practices, as well as enhancements in network security measures, based on recommendations from external security advisors. The Privacy Commissioner for Personal Data published an investigation report on the Incident and issued an enforcement notice on 11 November 2022, wherein Fotomax was required to take certain actions within 90 days.

Since the occurrence of the Incident, the Group has adopted an updated practice in customer data collection and retention, including the deletion of the personal data of customers whose accounts have no transaction in three years and all personal data contained in any transaction that is over three years. On top of implementing network security measures referencing global best practices, the Group has conducted full-scope security audits to its network and systems and completed the review of its IT and network security policies and procedures. Vigorous plans are also in place for security hack drills and there are regular company-wide cyber security trainings.

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) and the Company (www.chinahkphoto.com.hk) and the FY2022/23 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 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 November 2022