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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 2023**

**HIGHLIGHTS**

- Revenue increased by 7.7% to HK\$579 million (the Previous Period: HK\$538 million)
- Net profit attributable to shareholders was HK\$28.7 million (the Previous Period: HK\$12.2 million)
- Basic earnings per share amounted to HK2.43 cents (the Previous Period: HK1.03 cents)
- 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 2023 (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 2023**

		<b>For the six months ended</b>	
		<b>30 September</b>	
		<b>2023</b>	<b>2022</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	2	<b>579,101</b>	537,593
Cost of sales		<u>(426,057)</u>	<u>(413,923)</u>
<b>Gross profit</b>		<b>153,044</b>	123,670
Other income and gains, net	3	<b>10,313</b>	19,742
Changes in fair value of investment properties		<b>(5,295)</b>	(6,221)
Selling and distribution costs		<b>(73,389)</b>	(74,274)
Advertising and marketing expenses		<b>(4,045)</b>	(4,674)
Administrative expenses		<b>(50,364)</b>	(46,761)
Reversal of impairment loss on financial assets		–	105
Impairment loss on property, plant and equipment, and right-of-use assets		<u>(1,261)</u>	<u>(169)</u>
<b>Operating profit</b>		<b>29,003</b>	11,418
Interest expense on lease liabilities		<b>(1,100)</b>	(1,298)
Share of results of an associate		<u>–</u>	<u>–</u>
<b>Profit before income tax</b>	4	<b>27,903</b>	10,120
Income tax credit	5	<u><b>1,669</b></u>	<u>2,137</u>
<b>Profit for the period</b>		<u><b>29,572</b></u>	<u>12,257</u>
<b>Profit attributable to:</b>			
– Owners of the Company		<b>28,746</b>	12,236
– Non-controlling interests		<u><b>826</b></u>	<u>21</u>
		<u><b>29,572</b></u>	<u>12,257</u>
<b>Earnings per share attributable to owners of the Company</b>	7		
Basic		<u><b>HK2.43 cents</b></u>	<u>HK1.03 cents</u>
Diluted		<u><b>HK2.43 cents</b></u>	<u>HK1.03 cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period</b>	<b>29,572</b>	12,257
<b>Other comprehensive loss</b>		
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	<u>(2,953)</u>	<u>(4,423)</u>
<b>Total comprehensive income for the period</b>	<b><u>26,619</u></b>	<b><u>7,834</u></b>
<b>Total comprehensive income attributable to:</b>		
– Owners of the Company	<b>25,793</b>	7,813
– Non-controlling interests	<u>826</u>	<u>21</u>
	<b><u>26,619</u></b>	<b><u>7,834</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2023**

	<b>30 September</b>	31 March
	<b>2023</b>	2023
	<b>(Unaudited)</b>	(Audited)
<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	23,179	24,432
Investment properties	259,346	265,324
Intangible assets	4,911	4,711
Right-of-use assets	73,571	81,190
Deposits	15,593	10,938
Deferred tax assets	3,954	169
	<u>380,554</u>	<u>386,764</u>
<b>Total non-current assets</b>		
<b>Current assets</b>		
Inventories	185,302	176,839
Contract assets	9,813	15,528
Trade receivables	8 73,803	46,213
Amount due from an associate	9 –	–
Prepayments, deposits and other receivables	40,518	51,600
Tax recoverable	–	549
Non-pledged time deposits with original maturity of over three months	24,794	–
Cash and bank balances	208,689	235,919
	<u>542,919</u>	<u>526,648</u>
<b>Total current assets</b>		
<b>Total assets</b>		
	<u><u>923,473</u></u>	<u><u>913,412</u></u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	118,532	118,532
Reserves	567,099	559,086
	<u>685,631</u>	<u>677,618</u>
Non-controlling interests	1,917	1,091
	<u>687,548</u>	<u>678,709</u>
<b>Total equity</b>		

		<b>30 September</b>	31 March
		<b>2023</b>	2023
		<b>(Unaudited)</b>	(Audited)
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Accrued liabilities		<b>9,580</b>	9,293
Lease liabilities		<b>19,821</b>	21,165
Deferred tax liabilities		<b>28,322</b>	30,251
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>57,723</b>	60,709
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and bills payables	<i>10</i>	<b>58,136</b>	58,565
Contract liabilities		<b>27,475</b>	27,351
Accrued liabilities and other payables		<b>50,955</b>	45,538
Lease liabilities		<b>29,398</b>	33,840
Tax payable		<b>12,238</b>	8,700
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>178,202</b>	173,994
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>235,925</b>	234,703
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>923,473</b>	913,412
		<hr/>	<hr/>
<b>Net current assets</b>		<b>364,717</b>	352,654
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>745,271</b>	739,418
		<hr/>	<hr/>

# 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 2023 has been prepared in accordance with Hong Kong Accounting Standards (“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 2023 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).

#### (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 2023:

The Hong Kong Financial Reporting Standards (“HKFRS”) 17	Insurance Contracts
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

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 set-off provisions and was presented on a net basis on the condensed 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 nil impact on opening retained earnings upon the adoption of the amendments. Except for this, the adoption of other 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 2023 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	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 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 and processing (“D&P”) and printing products and the sale of photographic merchandises, skincare products, consumer electronic products and household appliances, and commercial and professional audio and visual (“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 business 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.

The following table presents the Group's segment results for the six months ended 30 September 2023 and 2022:

(Unaudited)												
	Merchandise		Service		Investment		Corporate and other		Eliminations		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>												
Sales to external customers												
– At a point in time	463,118	453,938	13,550	11,173	–	–	–	–	–	–	476,668	465,111
– Overtime	–	–	102,433	72,482	–	–	–	–	–	–	102,433	72,482
Inter-segment sales	31,458	22,584	1,878	2,643	–	–	–	–	(33,336)	(25,227)	–	–
	494,576	476,522	117,861	86,298	–	–	–	–	(33,336)	(25,227)	579,101	537,593
Other income and gains, net, excluding interest income on bank deposits	6,182	10,092	1,364	8,350	12,127	13,475	27,022	25,024	(38,359)	(38,009)	8,336	18,932
Changes in fair value of investment properties	–	–	–	–	(5,295)	(6,221)	–	–	–	–	(5,295)	(6,221)
Total	500,758	486,614	119,225	94,648	6,832	7,254	27,022	25,024	(71,695)	(63,236)	582,142	550,304
Segment results	33,087	30,110	26,163	12,458	(2,894)	(3,322)	(29,330)	(28,638)	–	–	27,026	10,608
Interest income											1,977	810
Interest expense											(1,100)	(1,298)
Profit before income tax											27,903	10,120
Income tax credit											1,669	2,137
Profit for the period											29,572	12,257

### 3 OTHER INCOME AND GAINS, NET

	For the six months ended 30 September	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Rental income	4,236	4,713
Interest income on bank deposits	1,977	810
Marketing subsidies	3,274	3,448
Rent concessions from lessors	150	307
Income from government grants		
– Employment Support Scheme ( <i>Note</i> )	–	10,004
Others	676	460
	<u>10,313</u>	<u>19,742</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 (the “Government”) 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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold ( <i>Note (a)</i> )	372,260	371,987
Cost of services provided ( <i>Note (a), (b)</i> )	52,316	42,034
Provision for/(reversal of provision for) impairment of inventories ( <i>Note (a)</i> )	1,481	(98)
Loss/(gain) on disposals of equipment	26	(26)
Foreign exchange differences, net	1,427	2,202
Depreciation of property, plant and equipment ( <i>Note (c)</i> )	5,129	5,424
Amortisation of intangible assets ( <i>Note (d)</i> )	341	239
Depreciation of right-of-use assets ( <i>Note (e)</i> )	20,706	23,481
	<u>372,260</u>	<u>371,987</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\$839,000 (2022: HK\$1,052,000).
- (c) Depreciation expenses of HK\$2,331,000 (2022: HK\$2,819,000) and HK\$2,798,000 (2022: HK\$2,605,000) have been charged to "Selling and distribution costs" and "Administrative expenses" respectively.
- (d) Amortisation expenses of HK\$55,000 (2022: HK\$36,000) and HK\$286,000 (2022: HK\$203,000) have been charged to "Selling and distribution costs" and "Administrative expenses" respectively.
- (e) Depreciation expenses of HK\$19,424,000 (2022: HK\$22,379,000) and HK\$1,282,000 (2022: HK\$1,102,000) have been charged to "Selling and distribution costs" and "Administrative expenses" respectively.

#### 5 INCOME TAX CREDIT

	For the six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong:		
Charge for the period	(3,570)	(825)
– The People's Republic of China (the "PRC"):		
Charge for the period	(143)	(296)
	<u>(3,713)</u>	<u>(1,121)</u>
Deferred tax	5,382	3,258
	<u>1,669</u>	<u>2,137</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 2023, one (2022: one) subsidiary of the Group is entitled to this tax benefit. The profits of other Group entities incorporated in Hong Kong not qualifying for the two-tiered profit tax regime are continued to be taxed at the flat rate of 16.5%.

Taxation on profits assessable for the 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 2023 (six months ended 30 September 2022: Nil).

The proposed final dividend of HK1 cent per ordinary share and special dividend of HK0.5 cent per ordinary share for the year ended 31 March 2023 were approved by the shareholders at the annual general meeting held on 11 August 2023. The final dividend and the special dividend for the year ended 31 March 2023 amounting to approximately HK\$17,780,000 were paid on 6 September 2023.

## 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 2023 and 2022 are based on:

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
<b>Profit:</b>		
Profit attributable to owners of the Company, used in the basic earnings per share calculation ( <i>HK\$'000</i> )	<u><u>28,746</u></u>	<u><u>12,236</u></u>
<b>Shares:</b>		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	<u><u>1,185,318,349</u></u>	<u><u>1,185,318,349</u></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 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2023 and 2022.

## 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.

The ageing analysis of the Group's trade receivables as at the end of the period, based on the invoice date and net of loss allowances, is as follows:

	<b>30 September 2023 (Unaudited) HK\$'000</b>	31 March 2023 (Audited) HK\$'000
Up to 30 days	<b>61,110</b>	38,467
31 to 60 days	<b>5,093</b>	4,838
61 to 90 days	<b>4,158</b>	1,093
91 to 120 days	<b>412</b>	17
Over 120 days	<b>3,235</b>	2,003
	<b>74,008</b>	46,418
Less: loss allowances	<b>(205)</b>	(205)
Trade receivables – net	<b>73,803</b>	46,213

## 9 AMOUNT DUE FROM AN ASSOCIATE

	<b>30 September 2023 (Unaudited) HK\$'000</b>	31 March 2023 (Audited) HK\$'000
Unlisted shares, at cost	–	–
Amount due from an associate	<b>32,720</b>	32,720
Less: provision for impairment ( <i>Note</i> )	<b>(32,720)</b>	(32,720)
	<b>–</b>	–

### *Note:*

The directors 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 2023 (31 March 2023: 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 2023 and 31 March 2023.

The amount due from an associate is unsecured, non-interest bearing and repayable on demand.

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

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

	<b>30 September</b> <b>2023</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31 March 2023 (Audited) HK\$'000
Within 3 months	57,724	56,757
Over 3 months	<u>412</u>	<u>1,808</u>
	<b><u>58,136</u></b>	<b><u>58,565</u></b>

## 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:

	<b>For the six months ended</b> <b>30 September</b>	
	<b>2023</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2022 (Unaudited) HK\$'000
Total compensation paid to key management personnel		
– Short term employee benefits	3,714	3,547
– Post-employment benefits	<u>27</u>	<u>27</u>
	<b><u>3,741</u></b>	<b><u>3,574</u></b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERALL REVIEW

#### REVENUE AND RESULTS

As COVID-19 got under control, the Government gradually lifted social distancing measures at the beginning of 2023. In February 2023, the Government canceled all the mandatory quarantine requirements for inbound travelers and resumed her full connectivity with mainland China, followed by the official withdrawal of the mask wearing policy a month later, marking Hong Kong's transition to a post-COVID-19 era. Meanwhile, the Government made every effort to organize extensive economic activities to expedite the recovery by distributing government consumption vouchers ("GCV") to Hong Kong people and launching a variety of campaigns to attract inbound tourists, including "Hello Hong Kong", with the aim of rejuvenating the tourism and hence the economy of Hong Kong. However, given the uncertainties arising from domestic and global economic factors and geopolitical considerations, Hong Kong's path to recovery was confronted with all sorts of challenges; and from the corporate perspective, different segments of the Group reacted differently to the normalization of the economy. Nevertheless, the Group relentlessly identified potential business opportunities for normalization and adjusted its strategies to cope with the changes in demand and spending patterns of customers during the Period, and encouraging results were achieved accordingly.

Consolidated revenue reached HK\$579 million, representing an increase of 7.7% compared to the Previous Period. Net profit attributable to Shareholders of the Company for the Period was HK\$28.7 million, representing a rise of 134.9% compared to the Previous Period. Excluding the relevant portion of the Employment Support Scheme ("ESS") subsidy attributable to Shareholders, rent concessions by landlords, the valuation loss of investment properties and the foreign exchange loss arising from the depreciation of Reminbi, in both the Period and the Previous Period, the net profit attributable to Shareholders of the Company for the Period was HK\$35.3 million, improving compellingly by 226.7% compared to the Previous Period.

Basic earnings per share was HK2.43 cents for the Period (the Previous Period: HK1.03 cents). As there are still lots of uncertainties shadowing 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 REVIEW

### MERCHANDISING

#### Photographic Products

In recent years, the segment experienced a significant decline in revenue due to COVID-19. On one hand, during the pandemic period, it was difficult for Hong Kong people to have gatherings and travel overseas given the impact of social distancing and travel isolation policies, which substantially undermined the demand for photographic products. On the other hand, semiconductors were short in supply which led to a decrease in supply of photographic products despite the market demand and thus directly affected the sales. However, with the gradual return to normalcy in society, a notable resurgence in consumer demand for photographic equipment was seen. Since the productivity of the semiconductor industry was stabilizing, the supply to the manufacturing plants of photographic products increased, thus uplifting the production of cameras to meet the demand from consumers.

During the Period, five new digital cameras and lenses were marketed, including cameras: X-S20, GFX100 II and a special and limited edition of X100V; and lenses: XF8mmF3.5 R WR and GF55mmF1.7 R WR. Digital cameras and lenses delivered remarkable sales during the Period, registering a 90.7% increase compared to the Previous Period. Similarly, the re-emerging of social activities also drove the demand for and sales of instant photographic products. However, the global supply of these products remained tight due to the relatively low production capacity compared to the pre-COVID-19 period. Accordingly, given the limited supply, the inflow of parallel imported goods was limited during the Period despite the depreciation of Japanese Yen, thus posting only minimal impact on the segment sales. In respect of new products, the instax mini 12 and instax mini EVO brown were marketed during the Period, which became meaningful contributors to the segment's revenue. Sales revenue for instant cameras, photo printers and films, managed to increase by 27.2% compared to the Previous Period.

The segment organized a series of strategic marketing events during the Period for the sake of boosting its sales. The Cat Shooting Fun Day (FUJIFILM 貓の美學 貓攝體驗日) was jointly held with DCFever in May 2023. The event was broadly reported by a number of cat-oriented social platforms, including 天下貓貓一樣貓 and 隨貓隨影, and the response from fans was overwhelming. In order to maximize the media impact, the segment also organized 富士喵喵作品招募 simultaneously with the above event to capture the awareness of "Cat" fans. Contributions from fans were posted on Facebook in July 2023. In addition, the segment worked together with Natalie Dunn, a fashion and interior photographer, to record her shooting daily with her beloved X-S20. Besides, the segment introduced X100V x Disney 100 Limited Edition, a memorable masterpiece commemorating the 100<sup>th</sup> anniversary of Disney, of which only 100 units were available for sale.

In recognition of the popularity and quality of FUJIFILM products, the brand received a number of awards during the Period, namely the “Best Medium Format Digital Camera” – GFX100S and the “Best APS-C Camera” – X-H2, both in The Best Photographic Product Awards by DCFever 2022; the 13<sup>th</sup> Your Choice @ Focus – Hong Kong White Collar’s Favourite Brand Award 2022 – “Stylish Digital Camera” – FUJIFILM Camera by Focus; and “2022-23 I.T. Supreme Digital Camera with Interchangeable Lenses” by PCM.

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

Unlike other business segments within the Group, the segment mainly targeted at local customers rather than inbound tourists, and was not benefited from the full reopening of borders accordingly. On the contrary, with the resumed social activities and an increase in opportunities for outbound travel, a significant decrease in the demand for household entertainment and other electrical appliances compared to the COVID-19 period was noticed. Although the segment sales were stimulated to a certain extent during the period between April and July 2023 when GCV were issued to Hong Kong people, the related multiplying impact was obviously diminishing because there were more applicable options of spending available to consumers when compared to the pandemic period.

The segment sales went down by 19.9% as compared to the Previous Period, representing an end of the continuous growth for two consecutive years during the COVID-19 period. Though the number of stores remained at 13 as at the end of the Period (As at 30 September 2022: 13), retail sales dropped by 19.1% when compared with the Previous Period. Wholesales also dropped by 20.8% whereas the decrease was managed to alleviate from 27.3% recorded in the 1<sup>st</sup> quarter to 13.1% in the 2<sup>nd</sup> quarter. Besides, online sales also registered a fall of 23.5%. In general, sales ratio, including retail and wholesale, between AV products, home appliances and other accessories were 89.3% (the Previous Period: 90.7%), 7.9% (the Previous Period: 8.2%) and 2.8% (the Previous Period: 1.1%) respectively.

Despite a decline in sales compared to the Previous Period, the segment sales for the Period remained 17.6% higher than that of the pre-COVID-19 period (i.e. FY2019/20), mainly attributable to the segment’s recognized and yet renowned commitment to providing customers with quality products and services, which successfully solidified its brand image and gained itself an industry-wide recognition from customers. During the Period, the segment continued to collaborate with various prestigious AV brands, including Samsung, LG and Panasonic, for exclusive promotion activities at shops and trendy gifts under different seasonal themes were made available for VIP purchases. The segment also held “British HiFi Month” with the theme of “MADE BY MUSIC” in which AV products from KEF and Cambridge Audio were promoted in bundle packages. For the sake of maximizing the segment sales, substantially all of its activities or flash promotion activities were held simultaneously both at shops and the online platform. To cope with this target, efforts in website enhancement at AVLife.com were well on track to allow stronger back-end efficiency in the launch of various brand promotion programs.

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

The segment sales recovered from the pre-COVID-19 period, improving by 35.6% as compared to the Previous Period and representing a growth of 24.9% from the pre-COVID-19 period (i.e. FY2019/20). Thanks to the new distributorship of LG Hotel TV and professional display acquired last year as well as the favorable factors arising from the re-opening of the border, which reactivated the hospitality industry and thus increased the demand for upgrading or replacement of TVs, sales of hotel TVs jumped by 230.3% as compared to the Previous Period. On the other hand, business events, exhibitions and other commercial activities also resumed to push up the sales of consumer TVs and professional monitors. Besides, interactive digital boards gained their popularity among schools and corporations as they became more advanced and affordable, thereby recording a notable rise of 479.4% of sales as compared to the Previous Period.

## **Skincare Products**

During the post-COVID-19 period, intensified competition and all kinds of promotional offers became common in the skincare market, thus posing inevitable challenges for the segment given its inherent nature of online-focused business. Meanwhile, the enticing promotional offers introduced by leading shopping malls also diverted potential customers towards in-person and physical shopping. Moreover, the continuous depreciation of Japanese Yen also further exacerbated the impact on the segment's business as customers were free to travel abroad starting from early 2023 and could easily purchase ASTALIFT products in Japan at very favorable prices. All these factors combined to exert additional burden on the segment's online business, segment sales dropped by 25.5% as compared to the Previous Period accordingly.

In response to the demanding market landscape, the segment developed corresponding strategic measures to maintain its competitiveness, including the refinement of its online marketing strategies (e.g. adding product seeding in “Xiaohongshu”) to attract customers from mainland China, the expansion of its clientele, brand coverage and exposure (e.g. cooperating with yoga centers and offering free gifts in marketing events) and the implementation of price adjustments (e.g. adjusting the price of selected items to make them more competitive) to mitigate the effects of currency fluctuations. Furthermore, new products were also launched during the Period to broaden the segments' product mix and improve segment sales, whereas focused offerings were The Serum Brightening and The Serum Multi Tune.



## **SERVICING**

### **Photofinishing and Imaging Services**

Sales of the segment (excluding sales generated from the Hong Kong Disneyland Resort (the “Park”) and Sky100) increased by 28.5% compared to the Previous Period and outperformed the sales of the pre-COVID-19 period (i.e. FY2019/20) by 19.2%. With the number of stores maintaining at 53 at the end of the Period (As at 30 September 2022: 54), same store sales increased by 30.7% as compared to the Previous Period. Online sales registered a growth of 14.5%.

The segment apparently experienced a rebound in sales as social activities and overseas travel resumed normal. The major contributor to sales was ID photo services due to the growing opportunities for overseas travel that facilitated the demand for ID photos required for passport applications or renewals, which delivered an increase of 40.6% as compared to the Previous Period. Sales of D&P services and DocuXpress also rose by 14.2% and 5.0% respectively.

In addition to festival promotional activities for holidays like Mother’s Day and Father’s Day, Fotomax collaborated separately with both Torododo and the Park during the summer vacation to introduce various series of adorable stationery products, aiming to help students get ready for the start of new school terms. 10% of sales proceeds from products featuring the theme of Corgi dogs in partnership with Torododo was donated to the House of Joy and Mercy, a charitable organization dedicated to raising awareness about abandoned animals. Furthermore, coinciding with the Park’s centennial celebration, Fotomax launched a range of Disney 100<sup>th</sup> Anniversary commemorative photo albums which were warmly welcomed by fans.

On the other hand, with the withdrawal of travel quarantine policies, especially the full reopening of borders in Hong Kong, the number of inbound tourists significantly increased compared to the Previous Period, which led to an increase in the number of visitors to the Park and Sky100. Furthermore, starting from 8 June 2023, the Park gradually resumed their opening days from five days a week during the later stages of COVID-19 to six days a week (and from 9 November 2023 to seven days). Coupled with the Government’s lifting of the mandatory mask wearing policy, the demand for imaging solutions in these attractions was greatly stimulated. As a result, the sales of these attractions in the segment grew by 333.1% compared to the Previous Period.

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

Although the recovery could not be seen until the start of the 2<sup>nd</sup> quarter, the segment sales was up by 32.7% as compared to the Previous Period. The normalization of economic activities constantly increased the market demand for AV and IT system integration. The commercial and non-commercial sectors were confident in allocating extra budgets to renovation and modification projects for reinforcing the unified communications systems or upgrading the AV facilities to perfect the living and working environments. Moreover, sales orders received from the Government, particularly hospitals, increased by 322.5% during the Period, whereas sales from universities and schools fell by 27.1%. All in all, the segment was actively collaborating with key technology partners and suppliers to enrich its product and service offerings, and continued effort was made to maintain strong and stable relationships with existing clients for the establishment of long term partnerships.

## **OUTLOOK**

It is obvious that Hong Kong's recovery path is still clouded by various internal and external factors. The recent Israel-Palestine conflict brings further uncertainties to global society and the economy. Additionally, it becomes more common and convenient for Hong Kong people to travel to mainland China and overseas countries and spend their money there, which will undoubtedly undermine the growth of the retail industry in Hong Kong. Therefore, despite the encouraging performance recorded in the first half of the year, the Group remains cautious on its performance in the remaining months of the year, but will definitely continue to respond to the market demand by planning ahead and providing its customers with quality products and services.

Several digital cameras and instant products will be launched in the second half of the year and the Group is confident that they will generate remarkable revenue to the Photographic Products segment. In respect of the Skincare Product segment, new sales channels will be introduced to broaden brand exposure. As to the Consumer Electronic Products and Household Appliances segment, AV Life will establish a new presence in the southern part of Hong Kong Island at the newly acquired shopping plaza, The Southside, to further strengthen its position as a prestigious electronics retailer. For the Photofinishing and Imaging Services segment, Fotomax is set to open a new concept store named Fotometa in the second half of the year at The Southside, aiming at capturing consumers with high-spending power in the southern part of Hong Kong Island by providing premium and quality imaging services. Additionally, a new attraction named "World of Frozen" is scheduled to open in the Park in November 2023, which is expected to further drive the sales of imaging products and services within the Park.

Furthermore, in order to encourage Hong Kong people to have their consumption done in the territory, the Group will make every effort to take part in promotional activities in various shopping malls across Hong Kong. It will also continuously improve and enhance the online shopping platforms and payment methods of each segment, thus maximizing the shopping experience of local and overseas customers and facilitating them to enjoy the Group's products and services regardless of their geographical locations. In conclusion, the Group is cautiously optimistic about the development and operation of its business given the uncertainties mentioned above and the recent development of global affairs.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's financial resources remained strong. As at 30 September 2023, the Group had cash and bank balances, and time deposits of HK\$233 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 2023, the Group's trade receivables stood at HK\$74 million while its inventories were worth HK\$185 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 "Audit 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 Audit 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 Period, approved by the Board on 29 November 2023, have been reviewed by the Audit 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 Period.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Board is committed to achieving high corporate governance standards.

During the Period, 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 Period.

Details of the Company's corporate governance can be found in the Company's FY2022/23 annual report.

## **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 FY2023/24 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. 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, 29 November 2023