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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 2021

HIGHLIGHTS

- COVID-19 and global shortage of semi-conductors continued to bring unprecedented challenges to the Group's operations
- Group's revenue grew by 5.3% to HK\$476 million with higher sales mainly in consumer electronic products and household appliances which offset lower sales in other segments
- Gross profit margin improved from 21.8% to 22.7%
- Net profit attributable to shareholders dropped 84.0% to HK\$3.0 million. Excluding the one-off Anti-epidemic subsidies from the Government and rent concessions from landlords of both the Period and the Previous Period, the net profit attributable to shareholders improved by HK\$4.7 million
- Basic earnings per share amounted to HK0.25 cent (the Previous Period: HK1.57 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 2021 (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 2021

		For the six months ended	
		30 September	
	<i>Note</i>	2021	2020
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	2	475,918	452,014
Cost of sales		<u>(367,654)</u>	<u>(353,561)</u>
Gross profit		108,264	98,453
Other income and gains	3	8,769	28,684
Selling and distribution costs		(67,340)	(62,464)
Advertising and marketing expenses		(3,433)	(4,496)
Administrative expenses		(40,767)	(40,042)
Impairment loss on financial assets		<u>(322)</u>	<u>–</u>
Operating profit		5,171	20,135
Interest expense on lease liabilities		(1,516)	(1,399)
Share of results of an associate		<u>–</u>	<u>–</u>
Profit before income tax	4	3,655	18,736
Income tax expense	5	<u>(503)</u>	<u>(699)</u>
Profit for the period		<u>3,152</u>	<u>18,037</u>
Profit/(loss) attributable to:			
– Owners of the Company		2,996	18,667
– Non-controlling interests		<u>156</u>	<u>(630)</u>
		<u>3,152</u>	<u>18,037</u>
Earnings per share attributable to owners			
of the Company	7		
Basic		<u>HK0.25 cent</u>	<u>HK1.57 cents</u>
Diluted		<u>HK0.25 cent</u>	<u>HK1.57 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	For the six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	3,152	18,037
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	<u>669</u>	<u>1,576</u>
Total comprehensive income for the period	<u>3,821</u>	<u>19,613</u>
Total comprehensive income/(loss) attributable to:		
– Owners of the Company	3,665	20,243
– Non-controlling interests	<u>156</u>	<u>(630)</u>
	<u>3,821</u>	<u>19,613</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

	30 September	31 March
	2021	2021
	(Unaudited)	(Audited)
<i>Note</i>	HK\$'000	HK\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	31,753	33,664
Investment properties	245,660	245,507
Right-of-use assets	100,079	93,270
Deposits	12,439	12,267
Deferred tax assets	137	118
	<u>390,068</u>	<u>384,826</u>
Total non-current assets	390,068	384,826
Current assets		
Inventories	113,989	111,140
Contract assets	5,331	4,854
Trade receivables	8 58,562	45,830
Amount due from an associate	9 –	–
Prepayments, deposits and other receivables	44,869	41,131
Tax recoverable	215	302
Cash and bank balances	261,578	282,663
	<u>484,544</u>	<u>485,920</u>
Total current assets	484,544	485,920
Total assets	874,612	870,746
EQUITY		
Equity attributable to owners of the Company		
Share capital	118,532	118,532
Reserves	517,295	525,483
	<u>635,827</u>	<u>644,015</u>
Non-controlling interests	(73)	(229)
Total equity	635,754	643,786

		30 September	31 March
		2021	2021
		(Unaudited)	(Audited)
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Accrued liabilities		3,213	2,792
Lease liabilities		32,636	30,921
Deferred tax liabilities		29,663	29,595
		<u>65,512</u>	<u>63,308</u>
Total non-current liabilities		65,512	63,308
Current liabilities			
Trade and bills payables	10	52,667	53,454
Contract liabilities		26,838	20,101
Accrued liabilities and other payables		44,641	44,045
Lease liabilities		40,828	38,116
Tax payable		8,372	7,936
		<u>173,346</u>	<u>163,652</u>
Total current liabilities		173,346	163,652
Total liabilities		238,858	226,960
Total equity and liabilities		874,612	870,746
Net current assets		311,198	322,268
Total assets less current liabilities		701,266	707,094

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 2021 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 2021 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 2021:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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 1 April 2021 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
HKFRS 17 and Amendments to HKFRS 17	Insurance contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
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
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, 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 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 2021 and 2020.

	(Unaudited)											
	Merchandise		Service		Investment		Corporate and other		Eliminations		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	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	397,145	383,801	16,985	10,116	–	–	–	–	–	–	414,130	393,917
– Overtime	–	–	61,788	58,097	–	–	–	–	–	–	61,788	58,097
Inter-segment sales	21,646	20,556	2,257	2,158	–	–	–	–	(23,903)	(22,714)	–	–
Other income and gains	23,867	29,845	4,859	14,239	7,122	7,087	1,692	1,856	(29,322)	(25,076)	8,218	27,951
Total	442,658	434,202	85,889	84,610	7,122	7,087	1,692	1,856	(53,225)	(47,790)	484,136	479,965
Segment results	8,169	16,635	(2,625)	5,667	1,131	980	(2,055)	(3,880)	–	–	4,620	19,402
Interest income											551	733
Interest expense											(1,516)	(1,399)
Profit before income tax											3,655	18,736
Income tax expense											(503)	(699)
Profit for the period											3,152	18,037

3 OTHER INCOME AND GAINS

	For the six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Rental income	3,926	4,760
Interest income on bank deposits	551	733
Marketing subsidy	3,970	1,810
Rent concessions from lessors	120	2,081
(Clawback of)/income from government grants		
– Employment Support Scheme	(164)	14,380
– Retail Sector Subsidy Scheme	–	3,800
– Other government grants	15	50
Others	351	1,070
	<u>8,769</u>	<u>28,684</u>

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	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold (<i>Note (a)</i>)	326,323	320,222
Cost of services provided (<i>Notes (a), (b)</i>)	43,013	35,034
Reversal of provision for inventories (<i>Note (a)</i>)	(1,682)	(1,695)
Loss on disposals of equipment	74	2
Foreign exchange differences, net	(385)	(1,029)
Depreciation of property, plant and equipment	6,138	6,242
Depreciation of right-of-use assets	21,218	22,206

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\$1,066,000 (2020: HK\$1,118,000).

5 INCOME TAX EXPENSE

	For the six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong:		
Charge for the period	177	150
Over-provision in prior years	(20)	–
– The People's Republic of China ("PRC"):		
Charge for the period	365	510
	<hr/>	<hr/>
	522	660
Deferred tax	(19)	39
	<hr/>	<hr/>
Total tax expense for the period	<u>503</u>	<u>699</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 2021, one (2020: 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 2021 (six months ended 30 September 2020: Nil).

The proposed final dividend of HK1 cent per ordinary share for the year ended 31 March 2021 was approved by the shareholders at the annual general meeting held on 13 August 2021. The final dividend for the year ended 31 March 2021 amounting to an aggregate of approximately HK\$11.9 million was paid on 8 September 2021.

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 2021 and 2020 are based on:

	For the six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
Profit:		
Profit attributable to owners of the Company, used in the basic earnings per share calculation (<i>HK\$'000</i>)	<u><u>2,996</u></u>	<u><u>18,667</u></u>
Shares:		
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 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2021 and 2020.

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 2021 (Unaudited) <i>HK\$'000</i>	31 March 2021 (Audited) <i>HK\$'000</i>
Up to 30 days	47,752	39,447
31 to 60 days	7,059	4,521
61 to 90 days	2,754	576
91 to 120 days	183	726
Over 120 days	<u>1,506</u>	<u>930</u>
	59,254	46,200
Less: loss allowances	<u>(692)</u>	<u>(370)</u>
Trade receivables – net	<u><u>58,562</u></u>	<u><u>45,830</u></u>

9 AMOUNT DUE FROM AN ASSOCIATE

	30 September 2021 (Unaudited) HK\$'000	31 March 2021 (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>–</u>	<u>–</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 2021 (31 March 2021: net deficit), 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 2021 and 31 March 2021.

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

There is no contingent liability 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 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
Within 3 months	51,533	52,090
Over 3 months	<u>1,134</u>	<u>1,364</u>
	<u>52,667</u>	<u>53,454</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 and balances carried out in the normal course of the Group's business during the period:

	For the six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Marketing subsidy income from a related company	<u>1,670</u>	<u>342</u>
Licensing fees paid to a related company	<u>1,000</u>	<u>1,050</u>
Total compensation paid to key management personnel		
– Short term employee benefits	2,690	3,081
– Post-employment benefits	<u>27</u>	<u>35</u>
	<u>2,717</u>	<u>3,116</u>
	30 September	31 March
	2021	2021
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Balance due from/(to) a related company	<u>1,106</u>	<u>(1,616)</u>

The balance with a related company is unsecured, interest-free and without fixed terms of repayment.

12 EVENT AFTER REPORTING PERIOD

On 26 October 2021, an unauthorised access to certain systems and databases of the Group was discovered (the "Issue"). The Group took immediate action to contain the Issue through a thorough investigation. Based on the investigation conducted up to the date of this interim report, the Directors of the Company are of the opinion that the Issue does not have any material adverse impact on the Group's operation and financial position. The Group will continue to assess the potential impact arising from the Issue and implement appropriate measures to strengthen the security of its information system.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE AND RESULTS

Coronavirus Disease 2019 (“COVID-19” or the “Pandemic”) and global shortage of semi-conductors continued to bring unprecedented challenges to the Group’s operations. However, given its diversified business portfolio, the Group managed to achieve a growth in turnover of 5.3% to HK\$476 million during the Period as compared to HK\$452 million of the Previous Period with higher sales mainly in consumer electronic products and household appliances which offset lower sales in other segments.

Net profit attributable to the shareholders was HK\$3.0 million, representing a drop of 84.0% or HK\$15.7 million as compared to the Previous Period. It should be noted that the net profit of the Previous Period of HK\$18.7 million included one-off government subsidies under the Employment Support Scheme and the Retail Sector Subsidy Scheme amounting to HK\$18.2 million and rent concessions from landlords of HK\$2.1 million. By excluding all government subsidies and rent concessions of both the Period and the Previous Period, the net profit attributable to the shareholders improved by HK\$4.7 million during the Period as compared to the Previous Period. Basic earnings per share for the Period amounted to HK0.25 cent (the Previous Period: HK1.57 cents). The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2021.

Gross profit margin improved from 21.8% of the Previous Period to 22.7% of the Period mainly because less discounts were offered to photographic products during the Period as compared to the Previous Period. During the Previous Period when the Pandemic was serious, the Group carried out series of stock clearance programmes with aggressive discounts to sustain sales and maintain healthy working capital, resulting in a comparatively low gross profit margin.

Since the outbreak of COVID-19 at the end of 2019, the Group has put extra effort in controlling costs across all aspects and eliminating all unnecessary spending. During the Period, the Group kept advertising and marketing expenses at a relatively low level, only 0.7% to total sales. Although rent concessions from landlords decreased during the Period, the Group made every effort to negotiate for favourable terms with landlords upon expiry of leases. On the other hand, selling and distribution costs were driven up by the growth in sales of consumer electronic products and household appliances and the resumption of the imaging service in the Hong Kong Disneyland Resort (the “Park”).

BUSINESS SEGMENT REVIEW

MERCHANDISING

Photographic Products

Sales of digital cameras and lenses dropped by 34.8% as compared to the Previous Period. Restrictions on travel and stringent border control across the globe did not only reduce the number of inbound visitors significantly but also delay or even suspend overseas travel plans of Hong Kong people, which strongly undermined the demand for new photographic related products, including digital cameras and lenses. Worse still, the global shortage of semi-conductors hindered the launch of certain new models, resulting in an unstable supply of digital cameras and lenses. This further weakened the Group's ability to tap into the resuming spending desire of customers in a recovering economy. Towards the end of the Period, only a handful of new models of digital cameras and lenses were launched, including XF18mm F1.4 R LM WR (May 2021), GFX50S II (September 2021) and GF35-70mm F4.5-5.6 WR (September 2021). Number of SKU dropped by almost 20% as compared to the Previous Period.

Sales of instant cameras and films, on the other hand, increased dramatically by 54.8% as compared to the Previous Period. As the Pandemic situation was gradually improving, the Government relaxed certain social distancing measures to allow social and economic activities to resume (e.g. increase the number of guests allowed to attend wedding banquets). Thanks to the increase in the number of social events, the demand for instant cameras and films was pushed up consequently. In addition, discounts were offered to the Group on certain instax items by FUJIFILM Japan during the Period which increased the competitiveness of the Group's products against those parallel imports. Brand new instant cameras and films which were unveiled during the Period included instax mini 40 (May 2021) and Mickey and Friends mini film (July 2021).

A series of popular marketing and promotional video clippings were posted on social media, including Facebook, Instagram and Youtube, and a high hit rate was recorded. Firstly, the Group launched "More than full frame" – to cope with FUJIFILM's global marketing campaign of GFX series, the Group invited certain renowned local professional photographers to use GFX cameras to produce a series of video clippings or photos featuring landscape, portrait and documentary, and post their works on the social media of their own. Secondly, the Group organized "Film Simulation" – to promote and highlight the film simulation function of X and GFX cameras.

Consumer Electronic Products and Household Appliances

This segment maintained its momentum and registered a growth in sales of 12.6% from the Previous Period. Retail sales grew by 9.5% with same-store sales increased by 11.9% and wholesales went up by 19.1%. As at 30 September 2021, the Group operated a total of 13 AV Life, Life Digital and Wai Ming Electrical stores (30 September 2020: 13 stores) with the AV Life store in International Financial Center being replaced by the store in Prince's Building since July 2020.

The increase in sales was mainly attributable to a number of factors. Firstly, during the Pandemic, people tended to stay at home and work from home due to the social distancing measures and travel restrictions, thus willing to purchase top-notch AV products to upgrade the quality of home entertainment. On the other hand, consumption vouchers distributed by the Hong Kong government (the “Government”) and all sorts of marketing and promotional events of shopping malls stimulated the sentiment of consumers. The Group also completed its shop-front revamp or full renovations of certain stores, which optimised the display layout of AV equipment and spared more room for large-sized TV sets and advanced audio systems. Accordingly, the Group was able to provide customers with comprehensive and professional AV trial experience, thus further enhancing the image of AV specialty of the Group. Sales of TV sets grew by 13.1%, mainly attributable to large-sized TV sets, while sales of audio systems also increased by 14.0%. Aggregate sales of TV sets and audio equipment accounted for 86.4% of the total sales of this segment.

Sales of home appliances like fridges, washing machines, air-conditioners and kitchen appliances and sales of gadgets like headphones and computer accessories also grew by 12.6% and 4.2% respectively.

The global shortage of semi-conductors also affected this segment to a certain extent. However, the Group closely monitored its inventory level and adjusted its product mix through updating the market condition with various suppliers so as to ensure a steady inventory supply to capitalize on the increasing market demand.

During the Period, the Group worked hand in hand with different parties to launch a variety of marketing and promotional activities and all sorts of related media coverage were in place. In summer, the Group cooperated with suppliers to give away up to HK\$8,000 vouchers of DON DON DONKI, a popular Japan-brand specialty store most welcomed by Hong Kong people, for purchasing products in its stores. Also, since gourmet food has always been one of the favorites of Hong Kong people, the Group offered JIA Group dining coupons to customers for purchasing designated Samsung TV sets to promote the sales of the brand. During the fall season, the grant of consumption vouchers was a top hot topic in Hong Kong. To encourage the use of consumption vouchers in its stores, new payment methods were added for online and physical stores and up to 1000% rebate was offered for promotional items. As a leading retailer of AV products, the Group has never missed a single chance to bring innovative new products to Hong Kong. In July 2021, the Group introduced the first pair of B&W Nautilus speakers featuring unconventional design and sound performance.

B-to-B Commercial and Professional AV Products

This segment had been hard hit by the social unrest since 2019 and it was further disrupted by the Pandemic since 2020 unfortunately. Sales of this segment dropped by 15.6% as compared to the Previous Period, and also decreased by 33.1% as compared to the same period of 2019.

Although the Pandemic was getting stable in the territory during the Period, business sentiment was still weak. Demand for commercial and professional AV products dropped significantly due to the suspension of different kinds of public events like exhibitions and conferences which used to be the biggest sales contributor of this segment. Even though the Group saw the resumption of certain activities during the Period, the scale was much smaller than before. In addition, with the drop in number of inbound tourists and the downsizing of banquets, many upgrade plans for hotels and restaurants were on hold, resulting in a decrease in demand for professional TV sets in the hospitality and F&B industries.

During the Previous Period when the Pandemic just started, this segment responded quickly by organizing aggressive clearance sales to sustain the sales volume and ensure a stable cash flow and a healthy inventory level, which drove up the sales in the Previous Period. In the Period, in addition to keeping a healthy inventory level, the Group also took the lead to contact different suppliers for the sake of expanding its product offerings to capture any single opportunity for potential sales.

Skincare Products

Boasting the Group's a well-established online store platform from which most of its skincare products sales were generated, this segment was benefited from the increase in online purchase during the Previous Period when the foot traffic of shopping malls was extremely low and a certain number of Hong Kong people tended to work and study from home under the adverse impact of the Pandemic. However, with the ease of the Pandemic during the Period, sales of this segment dropped by 22.2% as compared to the Previous Period because the Group experienced keen competition brought about by the market. Once again, people were willing to go out and shop and they had more product varieties in the physical market at their choices. Besides, competitors launched extensive and aggressive marketing and promotional campaigns, including bundle sales and discounts spending with consumption vouchers, to enlarge the local customer base for the purpose of making up for the loss of overseas tourists visiting Hong Kong. Shopping malls also organized different kinds of marketing events during the Period to increase foot traffic and stimulate store sales. All of the above in turn discouraged online shopping and the sales of this segment.

During the Period, a new product, ASTALIFT White Jelly Aquarysta, was launched in June 2021. It was an enhanced version of the segment's signature product – ASTALIFT Jelly Aquarysta. The product not only helps boost skin's barrier by the world's smallest "Human-type Nano Ceramide", but also contains whitening ingredients that give a glamorous look to skin.

Marketing and promotional efforts were focused on KOLs' product trial sharing in social media to enhance the brand image and awareness. Free gifts were also distributed to establish word-of-mouth, aiming at retaining customer loyalty on one hand and attracting new customers on the other. In order to boost its sales, customers were most welcomed to use the consumption vouchers in the Group's physical and online stores via payment by Octopus, Alipay and Tap&Go.

SERVICING

Photofinishing and Imaging Services

Overall sales of this segment increased by 11.0% as compared to the Previous Period which experienced the second and third wave of the Pandemic. The implementation of social distancing measures (e.g. work and study from home arrangements, restrictions on social gatherings, the mask-wearing policy and travel restrictions) inevitably reduced the occasions for photo-taking and in turn severely affected the sales of photo D&P, ID photos as well as imaging gifts. However, certain social gatherings and public events were gradually resumed during the Period as the Pandemic was getting stable and thus the performance of certain aspects in this segment picked up during the Period, although they still underperformed the sales recorded in pre-COVID-19 periods.

D&P sales increased by 5.6% as compared to the Previous Period while sales of ID photo-taking also increased by 6.9% as school terms resumed normal in September and students used to take their student ID photos in July and August for their new school terms. Although sales of ID photo-taking were still affected by the diminishing number of applications for visas and passports for travel purposes as a result of restrictions on travel and the closure of borders, it was partly compensated by the increase in demand for the application of JoyYou Card in which passport photos were required. On the other hand, since people were gradually getting back to office and school and the surge for British National (Overseas) passport applications was eased, the need for DocuXpress (one-stop document solution) relieved, showing a drop of 7.9% from the Previous Period. Sales of imaging gifts remained weak and photobook sales also saw a 26.9% decrease as compared to the Previous Period. The decrease in occasions like wedding, travel and school events, which used to be the major themes for photobooks, affected the sales in this area.

For store strategies, the Group continued to streamline its store presence cautiously by closing underperforming stores upon expiry of leases and relocating stores to areas with high return potential. The Group operated 54 Fotomax stores as at 30 September 2021 (30 September 2020: 57). Same store sales increased by 10.1%.

During the Period, the Group offered Mother's Day and Father's Day surprise offers by providing complimentary parent and child photo-taking services upon purchase of any ID photo-taking package. Except for promotional campaigns held on traditional festivals, the Group made use of different themes and occasions, like graduation, back-to-school and pets, to stimulate the sales of its imaging products. As usual, the Group worked with Groupbuy and different commercial organizations to boost its sales exposures.

Sales from the imaging service at the Park picked up quickly with an increase of 486.7% as compared to the Previous period, but was still far below the level recorded in pre-COVID-19 periods. The Park closed in most of the days in the Previous Period due to the severe condition of the Pandemic, and opened 137 days in the Period as compared to 32 days in the Previous Period. At the moment, the Park closes on every Tuesday and Thursday. Almost all visitors were local people and they usually spent less on imaging service in the Park as compared to overseas tourists. Also, the mask wearing policy was still in place which strongly discouraged visitors to take photos and spend on imaging products. The Group continued to work with the Park to encourage customers to increase their spending on imaging items by offering special promotion and upgraded product portfolios (e.g. festive photo frames, calendars and postcards).

Other than the imaging service at the Park, the Group rode on its expertise in imaging solution and expanded its exposures by organizing two photo-shooting events during the Period. The first one was the 1st Pixar Fest in Hong Kong (from 30 June to 15 August 2021) held in Harbour City, Tsim Sha Tsui for the celebration of the 35th anniversary of Pixar and the second one was the Disney Princess Event (from 7 July to 5 September 2021) held in MOKO, Mongkok. Both events were well received by customers.

Professional AV Advisory and Custom Design and Installation Services

Similar to the B-to-B Commercial and Professional AV Products segment, following the suspension or reduction in size of commercial and public projects related to AV solutions under the Pandemic, this segment experienced a challenging business environment during the Period and the previous periods. However, the Group saw public spending resume gradually during the Period and projects suspended due to the tough condition of COVID-19 in the Previous Period reactivated. The Group was awarded, and also completed, some projects brought forwarded from last year and some new projects during the period, making a growth in sales of 48.1% as compared to the Previous Period.

OUTLOOK

Given the economic outlook of Hong Kong, the Group's business, particularly the photographic related products and services segments, will continue to face great uncertainties, with its prospects highly depended on the successful containment of COVID-19 in Hong Kong and the timing of the reopening of the border to the rest of the world. Fortunately, due to the stabilized situation of COVID-19 and the increasing vaccination rate in Hong Kong, the Government announced her intention of reopening the border with mainland China, which is one of the most important trading partners of Hong Kong, in the near future, which hopefully will stimulate the retail business sector as well as the imaging service in the Park. In addition, the Group will spare no effort to create the specific demand for photo D&P services and imaging gifts through exploring more B-to-B business opportunities, expanding its product portfolio to include imaging services at schools, wedding events, collaborating with licensed characters for imaging home décor and organizing pop-up imaging events like those of Pixar Fest and MOKO Princess Event held during the Period.

On the other hand, the global shortage of semi-conductors will continue to shadow the market and is expected to be a major market concern in the years to come, which will inevitably tighten the supply of cameras, lenses and certain electrical appliances in the second half of the financial year. In light of this, the Group will closely communicate with FUJIFILM Japan for a replenishment plan to ensure the most feasible inventories allocation to Hong Kong. It will also continue to work with other suppliers around the world to fine tune its inventory procurement strategies, as well as adjust its product mix and portfolio by focusing on high-end and advanced products which are assumed to have stronger market competitiveness power for semi-conductors.

In respect of the store strategies, the Group will close underperforming stores and open new stores or renew leases of existing stores after analyzing accessible and potential business opportunities and only when the consumer market recovers and favorable terms can be secured. In addition, the Group will strive to step up the development pace of both its brick and mortar and online businesses with additional emphasis on the advancement of functions of its digital marketing platforms, especially those in relation to the coordination between different aspects of those platforms, aiming at providing its customers with seamless O2O customer experience to capitalize on the unrelenting and fast-growing online shopping extravaganza.

For the B-to-B Commercial and Professional AV Products and Professional AV Advisory and Custom Design and Installation Services segments, a quick recovery is not expected at the moment but the Group still stays positive since many upcoming construction projects in the Northern District of the New Territories, Hong Kong are going to be launched by the Government. As a result, the Group will continue to step up its efforts to secure the exclusive distribution rights of different brands of products, to strengthen the expertise and industrial knowledge of its employees and to maintain and build relationships with existing and potential clients through strengthened pre-sale and post-sale services. With all these endeavors, the Group believes these segments will be able to regain the momentum once the global economy recovers.

As to the Consumer Electronic Products and Household Appliances segment, promising performance is still well expected for AV Life, which is simply the pioneer of high-end AV products retailer at the top notch, because the brand name is a well-established one with remarkable track record, and has been further enhanced throughout these years with a continuous revamp of brand image.

Given the unfavorable market condition, the Group will be extremely cautious in spending, particularly the marketing and advertising expenses. Accordingly, boasting a visionary management team, a strong financial position, a diversified business portfolio, a team of professional staff members, loyal customers and close relationships with suppliers and vendors, the Group will surely be ready to take positive moves for a gradual recovery shortly.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial resources remain strong. As at 30 September 2021, the Group had cash and bank balances of HK\$262 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 2021, the Group's trade receivables stood at HK\$59 million while its inventories were worth HK\$114 million.

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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 2021, approved by the Board on 30 November 2021, 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 HKICPA.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to achieving high corporate governance standards.

During the six months ended 30 September 2021, 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 2021.

Details of the Company's corporate governance can be found in the Company's 2020/21 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) and the Company (www.chinahkphoto.com.hk) and the 2021/22 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, 30 November 2021