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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 2024**

**HIGHLIGHTS**

- Revenue decreased by 7.5% to HK\$536 million (Previous Period: HK\$579 million)
- Net profit attributable to shareholders was HK\$7.1 million (Previous Period: HK\$28.7 million)
- Overall financial position and operations remain solid with cash and bank balances stood at HK\$274 million
- Basic earnings per share amounted to HK0.60 cent (Previous Period: HK2.43 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 2024 (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 2024**

		<b>For the six months ended</b>	
		<b>30 September</b>	
		<b>2024</b>	<b>2023</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	2	<b>535,526</b>	579,101
Cost of sales		<u>(398,550)</u>	<u>(426,057)</u>
<b>Gross profit</b>		<b>136,976</b>	153,044
Other income and gains, net	3	<b>10,816</b>	10,313
Changes in fair value of investment properties		<b>(6,001)</b>	(5,295)
Selling and distribution costs		<b>(74,906)</b>	(73,389)
Advertising and marketing expenses		<b>(5,585)</b>	(4,045)
Administrative expenses		<b>(45,773)</b>	(50,364)
Impairment loss on financial assets		<b>(1,505)</b>	–
Impairment loss on property, plant and equipment, and right-of-use assets		<u>(2,313)</u>	<u>(1,261)</u>
<b>Operating profit</b>		<b>11,709</b>	29,003
Interest expense on lease liabilities		<b>(1,056)</b>	(1,100)
Share of results of an associate		<u>–</u>	<u>–</u>
<b>Profit before income tax</b>	4	<b>10,653</b>	27,903
Income tax (expense)/credit	5	<u>(3,589)</u>	<u>1,669</u>
<b>Profit for the period</b>		<u><b>7,064</b></u>	<u>29,572</u>
<b>Profit/(loss) attributable to:</b>			
– Owners of the Company		<b>7,135</b>	28,746
– Non-controlling interests		<u>(71)</u>	<u>826</u>
		<u><b>7,064</b></u>	<u>29,572</u>
<b>Earnings per share attributable to owners of the Company</b>	7		
Basic		<u><b>HK0.60 cent</b></u>	<u>HK2.43 cents</u>
Diluted		<u><b>HK0.60 cent</b></u>	<u>HK2.43 cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024**

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	2023
	<b>(Unaudited)</b>	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period</b>	<b>7,064</b>	29,572
<b>Other comprehensive income/(loss):</b>		
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	<u>1,284</u>	<u>(2,953)</u>
<b>Total comprehensive income for the period</b>	<u><b>8,348</b></u>	<u>26,619</u>
<b>Total comprehensive income/(loss) attributable to:</b>		
– Owners of the Company	8,419	25,793
– Non-controlling interests	<u>(71)</u>	<u>826</u>
	<u><b>8,348</b></u>	<u>26,619</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2024**

		<b>30 September</b>	31 March
		<b>2024</b>	2024
		<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		<b>43,308</b>	35,012
Investment properties		<b>237,402</b>	258,851
Intangible assets		<b>4,292</b>	4,641
Right-of-use assets		<b>103,713</b>	90,559
Interest in an associate	9	–	–
Deposits		<b>9,729</b>	10,679
Deferred tax assets		<b>4,208</b>	4,222
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>402,652</b>	403,964
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<b>Current assets</b>			
Inventories		<b>148,220</b>	164,390
Contract assets		<b>5,137</b>	8,307
Trade receivables	8	<b>53,347</b>	71,305
Amount due from an associate	9	–	–
Prepayments, deposits and other receivables		<b>52,531</b>	49,362
Non-pledged time deposits with original maturity of over three months		<b>25,691</b>	24,932
Cash and bank balances		<b>248,478</b>	219,349
		<hr/>	<hr/>
<b>Total current assets</b>		<b>533,404</b>	537,645
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<b>Total assets</b>		<b>936,056</b>	941,609
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<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>118,532</b>	118,532
Reserves		<b>566,980</b>	570,414
		<hr/>	<hr/>
		<b>685,212</b>	688,946
Non-controlling interests		<b>(501)</b>	(130)
		<hr/>	<hr/>
<b>Total equity</b>		<b>685,011</b>	688,816
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

		<b>30 September</b>	31 March
		<b>2024</b>	2024
		<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>11,498</b>	10,581
Lease liabilities		<b>29,402</b>	31,400
Deferred tax liabilities		<b>27,844</b>	27,994
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>68,744</b>	69,975
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<b>Current liabilities</b>			
Trade and bills payables	<i>10</i>	<b>54,838</b>	55,226
Contract liabilities		<b>24,353</b>	27,727
Accrued liabilities and other payables		<b>47,241</b>	50,510
Lease liabilities		<b>39,975</b>	37,285
Tax payable		<b>15,894</b>	12,070
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>182,301</b>	182,818
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<b>Total liabilities</b>		<b>251,045</b>	252,793
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total equity and liabilities</b>		<b>936,056</b>	941,609
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<b>Net current assets</b>		<b>351,103</b>	354,827
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<b>Total assets less current liabilities</b>		<b>753,755</b>	758,791
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# 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 2024 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 2024 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 below.

#### (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 2024:

Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to Hong Kong Financial Reporting Standards (“HKFRS”) 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

#### (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 2024 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
Hong Kong Interpretation 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027

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 the Group’s operating segments separately for the purpose of resources allocation and performance assessment. Segment performance is evaluated based on reportable segment’s profit/(loss), which is the adjusted profit/(loss) before income tax. The adjusted profit/(loss) before tax is calculated consistently as the Group’s profit/(loss) before income tax excluding interest income, finance cost and share of results of an associate.

The following table presents the Group's segment results for the six months ended 30 September 2024 and 2023:

(Unaudited)												
	Merchandise		Service		Investment		Corporate and other		Eliminations		Consolidated	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>												
Sales to external customers												
– At a point in time	442,650	463,118	10,683	13,550	–	–	–	–	–	–	453,333	476,668
– Overtime	–	–	82,193	102,433	–	–	–	–	–	–	82,193	102,433
Inter-segment sales	33,549	31,458	2,024	1,878	–	–	–	–	(35,573)	(33,336)	–	–
	<b>476,199</b>	<b>494,576</b>	<b>94,900</b>	<b>117,861</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(35,573)</b>	<b>(33,336)</b>	<b>535,526</b>	<b>579,101</b>
Other income and gains, net, excluding interest income on bank deposits	5,787	6,157	871	1,364	3,409	4,123	28,367	25,415	(30,438)	(28,723)	7,996	8,336
Changes in fair value of investment properties	–	–	–	–	(6,001)	(5,295)	–	–	–	–	(6,001)	(5,295)
Total	<b>481,986</b>	<b>500,733</b>	<b>95,771</b>	<b>119,225</b>	<b>(2,592)</b>	<b>(1,172)</b>	<b>28,367</b>	<b>25,415</b>	<b>(66,011)</b>	<b>(62,059)</b>	<b>537,521</b>	<b>582,142</b>
<b>Segment results</b>	<b>34,830</b>	<b>34,124</b>	<b>6,791</b>	<b>25,755</b>	<b>(5,275)</b>	<b>(4,794)</b>	<b>(27,457)</b>	<b>(28,059)</b>	<b>–</b>	<b>–</b>	<b>8,889</b>	<b>27,026</b>
Interest income											2,820	1,977
Interest expense											(1,056)	(1,100)
Profit before income tax											10,653	27,903
Income tax (expense)/credit											(3,589)	1,669
Profit for the period											<b>7,064</b>	<b>29,572</b>

### 3 OTHER INCOME AND GAINS, NET

	For the six months ended	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Rental income	4,081	4,236
Interest income on bank deposits	2,820	1,977
Marketing subsidies	2,107	3,274
Rent concessions from lessors	–	150
Gain on lease modification	1,018	–
Others	790	676
	<b>10,816</b>	<b>10,313</b>



#### 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	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold ( <i>Note (a)</i> )	348,431	372,260
Cost of services provided ( <i>Note (a), (b)</i> )	49,752	52,316
Provision for impairment of inventories ( <i>Note (a)</i> )	367	1,481
Loss on disposals of property, plant and equipment	171	26
Foreign exchange differences, net	(391)	1,427
Depreciation of property, plant and equipment ( <i>Note (c)</i> )	5,556	5,129
Amortisation of intangible assets ( <i>Note (d)</i> )	370	341
Depreciation of right-of-use assets ( <i>Note (e)</i> )	22,922	20,706
	<u>348,431</u>	<u>372,260</u>

*Note:*

- (a) Included in "Cost of sales" on the face of the condensed consolidated income statement.
- (b) Depreciation of property, plant and equipment of HK\$593,000 (2023: HK\$839,000) has been included in cost of services provided.
- (c) Depreciation expenses of HK\$2,426,000 (2023: HK\$2,331,000) and HK\$3,130,000 (2023: HK\$2,798,000) have been charged to "Selling and distribution costs" and "Administrative expenses" respectively.
- (d) Amortisation expenses of HK\$55,000 (2023: HK\$55,000) and HK\$315,000 (2023: HK\$286,000) have been charged to "Selling and distribution costs" and "Administrative expenses" respectively.
- (e) Depreciation expenses of HK\$21,822,000 (2023: HK\$19,424,000) and HK\$1,100,000 (2023: HK\$1,282,000) have been charged to "Selling and distribution costs" and "Administrative expenses" respectively.

#### 5 INCOME TAX EXPENSE/(CREDIT)

	For the six months ended	
	30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong:		
Charge for the period	3,685	3,570
– The People's Republic of China (the "PRC"):		
Charge for the period	170	143
	<u>3,855</u>	<u>3,713</u>
Deferred tax	(266)	(5,382)
Total tax expense/(credit) for the period	<u>3,589</u>	<u>(1,669)</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 2024, one (2023: 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 Period (Previous Period: Nil).

The proposed final dividend of HK1 cent per ordinary share for the year ended 31 March 2024 were approved by the shareholders at the annual general meeting held on 9 August 2024. The final dividend for the year ended 31 March 2024 amounting to approximately HK\$11,853,000 were paid on 11 September 2024.

## 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 2024 and 2023 are based on:

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	2023
	<b>(Unaudited)</b>	(Unaudited)
<b>Profit:</b>		
Profit attributable to owners of the Company, used in the basic earnings per share calculation (HK\$'000)	<u><u>7,135</u></u>	<u><u>28,746</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 2024 and 2023 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2024 and 2023.

## 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 2024 (Unaudited) HK\$'000</b>	31 March 2024 (Audited) HK\$'000
Up to 30 days	40,059	54,342
31 to 60 days	11,403	8,973
61 to 90 days	567	2,175
91 to 120 days	75	1,432
Over 120 days	2,953	4,588
	<u>55,057</u>	<u>71,510</u>
Less: loss allowances	<u>(1,710)</u>	<u>(205)</u>
Trade receivables – net	<u><b>53,347</b></u>	<u><b>71,305</b></u>

The movement of the Group's loss allowances of trade receivables as at the end of the period, is as follows:

	<b>30 September 2024 (Unaudited) HK\$'000</b>	31 March 2024 (Audited) HK\$'000
Opening balance	205	205
Provision for impairment of trade receivables	<u>1,505</u>	<u>–</u>
Closing balance	<u><b>1,710</b></u>	<u><b>205</b></u>

## 9 AMOUNT DUE FROM AN ASSOCIATE

	<b>30 September 2024 (Unaudited) HK\$'000</b>	31 March 2024 (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> )	<u><b>(32,720)</b></u>	<u>(32,720)</u>
	<u><b>–</b></u>	<u><b>–</b></u>

*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 2024 (31 March 2024: same). Also, 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 2024 and 31 March 2024.

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 2024 (Unaudited) HK\$'000</b>	31 March 2024 (Audited) HK\$'000
Within 3 months	53,371	52,717
Over 3 months	<u>1,467</u>	<u>2,509</u>
	<b><u>54,838</u></b>	<b><u>55,226</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 30 September</b>	
	<b>2024 (Unaudited) HK\$'000</b>	2023 (Unaudited) HK\$'000
Total compensation paid to key management personnel		
– Wages, salaries, bonuses and allowances	3,773	3,714
– Post-employment benefits	<u>27</u>	<u>27</u>
	<b><u>3,800</u></b>	<b><u>3,741</u></b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERALL REVIEW

#### REVENUE AND RESULTS

In the first half of the current year, the Company reported a decline of 7.5% in the consolidated revenue, decreasing from HK\$579 million in the Previous Period to HK\$536 million. The shift was attributable to a range of factors, particularly the unexpected and yet exceptionally robust performance registered in the Previous Period, which provided a relatively high baseline for comparison.

The anticipated pace of economic recovery in Hong Kong has been far from satisfactory since the second half of the Previous Year. The property market has exhibited ongoing sluggishness while the stock market has swung up and down. Amid changing consumer patterns, a strong Hong Kong dollar and an increasing popularity of outbound travel, the local retail market has experienced persistent challenges due to a hampered willingness to spend, resulting in a general revenue decline across most business segments of the Group.

Gross profit margin showed a slight decrease from 26.4% in the Previous Period to 25.6%, primarily due to a reduced sales proportion of higher-margin products and services. The net profit attributable to shareholders of the Company (“Shareholders”) for the Period was HK\$7.1 million, reflecting a significant decline of 75.2% compared to the Previous Period. Apart from the drop in revenue and gross profit, the valuation loss of HK\$6.0 million (Previous Period: HK\$5.3 million) from investment properties, driven by the slow property markets in Hong Kong and the PRC; the impairment loss on financial assets of HK\$1.5 million (Previous Period: nil), due to uncertainty in recovering trade receivables from a customer; the impairment loss on property, plant and equipment, and right-of-use assets of HK\$2.3 million (Previous Period: HK\$1.3 million) resulting from certain loss-making or underperformed retail locations; together with the income tax expense of HK\$3.6 million (Previous Period: income tax credit of HK\$1.7 million) giving rise to a significant drop of the net profit attributable to Shareholders.

Basic earnings per share stood at HK0.60 cent for the Period, down from HK2.43 cents in the Previous Period. In light of the prevailing economic uncertainties, the Board does not recommend the payment of any interim dividend for the Period.

## **BUSINESS REVIEW**

### **MERCHANDISING**

#### **Photographic Products**

During the Period, the segment recorded a notable decline in sales of digital cameras and lenses, with a decrease of 12.2% compared to the Previous Period. Despite the enduring popularity of FUJIFILM's offerings, this downturn could largely be attributed to the limited production capacity, which hindered its ability to meet the increasing demand. New products launched during the Period included X-T50, GFX100S II, GF500mm F5.6 R LM OIS WR and XF16-50mm F2.8-4.8 R LM WR, reflecting FUJIFILM's commitment to innovation and quality. Additionally, FUJIFILM continued to receive accolades, including the PCM Best of IT Award for its camera brand, thereby reinforcing its highly appraised position in the market.

To the contrary, sales of instant cameras, printers, and films surged by an impressive 26.7% compared to the Previous Period. This increase was attributed to the resurgence in the number of inbound tourists and the rise in social gatherings following the end of the pandemic. As consumers were eager to capture and share memorable and precious moments with friends, products like instax cameras gained widespread popularity, particularly among younger audiences. The introduction of instax films featuring beloved Disney characters resonated well with customers, driving sales further. Alongside the well-received instax mini EVO and instax mini 12, the new instax WIDE 400 also garnered attention from FUJIFILM fans. Additional new launches during the Period included the instax mini 99 and mini Liplay in a new color, enriching the product range and appeal.

During the Period, the segment organized several key marketing and promotional events. In April and May 2024, Nobuyoshi Araki's "Paradise" Exhibition was held in Hong Kong and Macau, inviting guests to take photos with the instax mini 99. To increase FUJIFILM's brand exposure, it sponsored the Bruce Lee: Unseen Photographs Exhibition in Causeway Bay, held in June and July 2024. Furthermore, an instax promotion truck showcasing FUJIFILM instax products was deployed in Hong Kong Island and Kowloon, including Mongkok, Tsim Sha Tsui, and Causeway Bay, during September to October 2024, inviting young people to take instax photos and share their experiences on-site.

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

In light of the prolonged market challenges, the segment witnessed a significant contraction, with sales declining by 8.8% compared to the Previous Period, which followed a more substantial year-on-year drop of 19.9% in the Previous Year. This decline could largely be attributed to the post-pandemic landscape, where consumers, having made substantial purchases during the COVID-19 lockdowns, were less inclined to invest in new appliances due to the durability of their previous acquisitions. Several other factors contributed to the downward trend, including a slow economic environment and a sluggish property market, which led to a low consumption sentiment. The northbound spending trend also diverted consumers away from the local market, diminishing foot traffic and further impacting general sales.

The composition of sales remained stable, with AV products accounting for 89.2% (Previous Period: 89.3%) of total sales, while home appliances and other accessories recorded minor shifts, contributing 5.9% (Previous Period: 7.9%) and 4.9% (Previous Period: 2.8%), respectively.

In response to these challenges, the segment implemented strategic measures, including the consolidation of its retail presence by closing three stores while opening a new one in THE SOUTHSIDE, bringing the total to 11 stores as of 30 September 2024. Furthermore, the segment captured the promotional opportunities linked to major sports events, such as the Paris Olympics. It also enhanced its online presence by offering exclusive discounts to registered AV Life members to drive sales in this highly challenging market.

Moreover, collaborations with prestigious AV brands like Samsung, LG, and Cambridge Audio incubated a series of exclusive promotional and special events. Recent promotions, including the AV Life's 22<sup>nd</sup> Anniversary Sale, successfully attracted the attention of Hi-Fi fans through significantly discounted prices. These initiatives demonstrated a proactive approach to navigating the current market landscape, while fostering brand loyalty and enhancing consumer engagement.

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

Sales in the segment increased by 3.7% compared to the Previous Period, largely driven by a remarkable 126.3% jump in sales of interactive digital boards, which have gained increasing popularity in both the education and business sectors due to their advanced functionalities that make virtual classes and meetings easier and more convenient. However, the overall growth of the segment faced challenges from decreased demand for retail renovations amid a slow economic recovery in Hong Kong and tightened budgets in the hotel sector. To address these challenges and prepare the segment for future growth, the segment secured a partnership with LG, making it the distributor for LG LED Walls in Hong Kong starting in mid-2024, in anticipation of the rising importance of this product line.

### **Skincare Products**

Competition in the skincare products market remained intense, resulting in an 8.0% decline in sales compared to the Previous Period. The drop was further exacerbated by the depreciation of the Yen which encouraged more outbound travel to Japan and lowered import costs for parallel products. Online sales were particularly affected, dropping by 18.7%, as the segment offered more discounts on selected items to remain competitive against these parallel imports.

Given these challenges, the segment began promoting its major best-selling products through a collaboration with Tokyo Lifestyle, a popular beauty and drug store in Hong Kong, in October 2023. The partnership aimed to leverage the store's high customer traffic, allowing the segment to expand its network to five stores by June 2024 to reach a broader clientele. Notably, products like Collagen Drink and Drink White Shield maintained their strong sales performance, attributed to their unique ingredients and strong brand heritage.

In addition, the product line was enriched by new launches in July 2024, including Advanced Lotion and Advanced Cream. During the Period, the brand received accolades, including the VOCE No.1 in the Brightening Department Award for the Serum Brightening and the VOCE No.2 in the Firm and Elastic Department Award for the Serum Wrinkle Repair Day Essence, highlighting its established commitment to quality and innovation amidst a challenging market landscape.



## SERVICING

### Photofinishing and Imaging Services

Sales in the segment (excluding revenue from the Hong Kong Disneyland Resort (the “Park”)) experienced a decline of 22.5% compared to the Previous Period, largely due to a high baseline resulting from the post-COVID business rebound in the Previous Period. The primary driver of the decline from the Previous Period was a 31.0% decrease in ID photo sales, with print counts dropping significantly by 33.4% due to a slowdown in demand following an initial surge after the border reopening in early 2023. The heightened demand for ID photos related to entrance permits of the PRC and passport applications began to taper off in the third quarter of FY2023/24. Additionally, sales of photo-finishing fell by 8.4%, with corresponding print counts decreasing by 21.6% as economic uncertainties led consumers to cut back on spending for non-essential items. Sales of the one-stop document solution, DocuXpress, also recorded a slight decline of 4.6%.

In response to these challenges, the segment implemented several strategic initiatives during the Period. Two underperforming Fotomax shops were closed while two new FOTOMETA shops were opened, featuring a refreshed brand image aimed at younger generations and offering a variety of new imaging products. As of the end of September 2024, the total number of Fotomax and FOTOMETA shops remained at 54, consistent with the Previous Period. Newly introduced value-added services, such as the AI retouching for professional ID portraits and a brand-new pet photography service at FOTOMETA shops, targeted at families and captured the growing trend of pet ownership. Additionally, a new photo booth and a new photo cube were launched in the shop in AIRSIDE and a new photo booth was launched in the shop in Pioneer Centre to encourage and enhance customer engagement.

In contrast to the overall segment performance, the imaging solution service at the Park experienced a remarkable increase of 12.1% in sales compared to the Previous Period. This growth was driven by a significant year-over-year rise in visitors from both the PRC and Southeast Asia due to the recovery of Hong Kong tourism after the pandemic. The opening of the new attraction, The World of Frozen, in the Park in November 2023, along with a newly established photo-taking attraction at the Hong Kong Disneyland Hotel, significantly contributed to the increased photo-taking traffic. Additionally, the increase in the number of operational days from 157 days in the Previous Period to 175 days in the current period also contributed to the increase in sales of the imaging solution service at the Park.

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

The segment saw a significant decline in overall sales, dropping by 34.1% compared to the Previous Period. This decline was primarily influenced by delays in completion of certain commercial and non-commercial projects from late second quarter to the second half of the current year. The downturn in the property market in Hong Kong adversely affected the demand for residential renovation and decoration projects, which, in turn, impacted the need for AV facilities designed to upgrade and optimize living environments.

Despite the substantial decrease of 50.5% in sales from universities and schools which represented the broader challenges in educational investments, there was an impressive increase in sales from the government sector, including hospitals, which rose by 77.4% due to an uptick in projects focused on upgrading video conferencing facilities and replacing equipment.

## **OUTLOOK**

Looking ahead, the gradual reduction of interest rates in the US will likely ease the high financing costs and rejuvenate the spending sentiment worldwide, presenting an invaluable opportunity for a rebound in consumer expenditures. On the other hand, the weakening of the Hong Kong dollar, resulting from reduced interest rates in the US, may make spending in Hong Kong relatively affordable, enhancing the city's attractiveness and inviting increased foot traffic from tourists, thereby boosting consumption. In tandem, the governments of Hong Kong and the PRC are proactively introducing measures to invigorate the local economy, such as expanding the Individual Visit Scheme and increasing duty-free allowances for mainland visitors. These initiatives, along with the anticipated rise in residential property supply and the push to establish Hong Kong as the "Events Capital" of Asia, are poised to spark greater demand for consumer electronics and AV solutions.

However, high rental costs, talent shortages and shifting consumer behaviors will continue to pose challenges. In response, the Company is steadfast in its commitment to maintaining resilience and offering a diverse array of high-quality products and services. The second half of the year will see the launch of several exciting new offerings, including innovative FUJIFILM cameras, skincare products and cutting-edge photo solutions. Additionally, the Company will focus on strategic initiatives, such as negotiating favorable terms for rental agreements, enhancing talent retention through supportive policies, and elevating service quality via various internal and external training programs. The Company also plans to strengthen its loyalty program with a brand-new Customer Relationship Management system that fosters personalized customer engagement. By blending technologies with a commitment to providing exceptional services, the Company aims to develop long-lasting customer loyalty and drive sustainable sales growth, thus strengthening its position as an industry leader dedicated to delivering unparalleled value to the local community.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's financial resources remained strong. As at 30 September 2024, the Group had cash and bank balances, and time deposits of HK\$274 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 2024, the Group's trade receivables stood at HK\$53 million while its inventories were worth HK\$148 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 (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 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 25 November 2024, 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 C1 of the Listing Rules on the Stock Exchange.

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 FY2023/24 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 FY2024/25 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, 25 November 2024