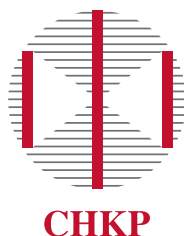


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**CHINA-HONGKONG PHOTO PRODUCTS HOLDINGS LIMITED**  
**中港照相器材集團有限公司**  
(Incorporated in Bermuda with limited liability)  
(Stock Code: 1123)

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

**HIGHLIGHTS**

- Consolidated turnover decreased by 3%
- Group recorded a loss of HK\$19.8 million for the period under review
- Board of Directors does not recommend payment of an interim dividend

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

		<b>For the six months ended 30 September</b>	
		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<b>(Unaudited) HK\$'000</b>	<b>(Unaudited) HK\$'000</b>
<b>Revenue</b>	2	<b>422,914</b>	436,198
Cost of sales		<b>(328,449)</b>	(333,391)
<b>Gross profit</b>		<b>94,465</b>	102,807
Other income and gains	3	<b>7,271</b>	6,386
Selling and distribution costs		<b>(70,242)</b>	(67,310)
Advertising and marketing expenses		<b>(12,962)</b>	(11,126)
Administrative expenses		<b>(37,800)</b>	(37,433)
<b>Operating loss</b>		<b>(19,268)</b>	(6,676)
Share of results of an associate		-	(147)
<b>Loss before tax</b>	4	<b>(19,268)</b>	(6,823)
Income tax expense	5	<b>(498)</b>	(1,176)
<b>Loss for the period</b>		<b>(19,766)</b>	(7,999)
(Loss)/profit attributable to:			
Owners of the Company		<b>(20,034)</b>	(7,896)
Non-controlling interests		<b>268</b>	(103)
		<b>(19,766)</b>	(7,999)
<b>Loss per share attributable to owners of the Company</b>	7		
Basic		<b>HK(1.69) cent</b>	HK(0.67) cent
Diluted		<b>HK(1.69) cent</b>	HK(0.67) cent

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

	<b>For the six months ended 30 September</b>	
	<b>2016</b>	<b>2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Loss for the period</b>	<b>(19,766)</b>	<b>(7,999)</b>
<b>Other comprehensive loss</b>		
Item that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	<u>(1,387)</u>	<u>(740)</u>
<b>Total comprehensive loss for the period</b>	<u><b>(21,153)</b></u>	<u><b>(8,739)</b></u>
<b>Total comprehensive (loss)/income attributable to:</b>		
Owners of the Company	<b>(21,421)</b>	<b>(8,636)</b>
Non-controlling interests	<u><b>268</b></u>	<u><b>(103)</b></u>
	<u><b>(21,153)</b></u>	<u><b>(8,739)</b></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2016**

	<b>30 September 2016 (Unaudited) HK\$'000</b>	<b>31 March 2016 (Audited) HK\$'000</b>
	<i>Note</i>	
<b>Non-current assets</b>		
Property, plant and equipment	71,211	74,717
Investment properties	190,577	190,785
Goodwill	–	–
Trademarks	–	–
Deposits	11,427	12,687
Deferred tax assets	265	183
<b>Total non-current assets</b>	<b>273,480</b>	<b>278,372</b>
<b>Current assets</b>		
Inventories	147,083	158,002
Trade receivables	8 45,581	63,034
Amount due from an associate	10 18,307	10,169
Prepayments, deposits and other receivables	36,664	35,605
Tax recoverable	765	765
Cash and bank balances	255,054	260,701
<b>Total current assets</b>	<b>503,454</b>	<b>528,276</b>
<b>Total assets</b>	<b>776,934</b>	<b>806,648</b>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	118,532	118,532
Reserves	528,356	549,777
	<b>646,888</b>	<b>668,309</b>
Non-controlling interests	1,332	1,064
<b>Total equity</b>	<b>648,220</b>	<b>669,373</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Accrued liabilities	4,678	4,685
Deferred tax liabilities	25,188	25,276
<b>Total non-current liabilities</b>	<b>29,866</b>	<b>29,961</b>
<b>Current liabilities</b>		
Trade and bills payables	9 45,144	45,774
Accrued liabilities and other payables	44,988	53,051
Tax payable	8,716	8,489
<b>Total current liabilities</b>	<b>98,848</b>	<b>107,314</b>
<b>Total liabilities</b>	<b>128,714</b>	<b>137,275</b>
<b>Total equity and liabilities</b>	<b>776,934</b>	<b>806,648</b>

# 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 2016 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

### 1.1 Changes in accounting policies and disclosures

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2016, as described in those annual financial statements.

China-Hongkong Photo Products Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) have adopted the following new and revised HKFRSs for the first time for the current period’s financial information.

Annual improvements HKAS 1 (Amendments) HKAS 16 and HKAS 38 (Amendments) HKAS 16 and HKAS 41 (Amendments) HKFRS 10, HKFRS 12 and HKAS 28 (Amendments) HKFRS 11 (Amendment) HKFRS 14 HKAS 27 (Amendment)	Annual Improvements 2012-2014 Cycle Disclosure Initiative Clarification of Acceptable Methods of Depreciation and Amortisation Agriculture: Bearer Plants Investment Entities: Applying the Consolidation Exception Accounting for Acquisitions of Interests in Joint Operations Regulatory Deferral Accounts Equity Method in Separate Financial Statements
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The adoption of these new standards, amendments and interpretation to existing standards does not have any significant impact to the results and financial position of the Group’s condensed consolidated interim financial information.

## 1.2 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this condensed consolidated interim financial information.

<b>New or revised standards</b>		<b>Effective for accounting periods beginning on or after</b>
HKAS 7 (Amendments)	Statement of Cash Flows	1 January 2017
HKAS 12 (Amendments)	Income Taxes	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment of the impact of these new or revised standards and amendments upon initial application and is not yet in a position to state whether these new or revised standards and amendments have any significant impact on the Group's result of operations and financial position.

## 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:

- (a) 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;
- (b) the service segment engages in the provision of technical services for photographic developing and processing products, professional audio-visual advisory and custom design and installation services;
- (c) the investment segment comprises the Group's business in investment properties; and
- (d) the corporate and other segment comprises the Group's corporate income and expense items and other investment businesses.

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 (loss)/profit, which is a measure of adjusted (loss)/profit before tax. The adjusted (loss)/profit before tax is measured consistently with the Group's (loss)/profit before tax except that interest income and share of results of an associate are excluded for such measurement.

The following table presents revenue and (loss)/profit of the Group's segments for the six months ended 30 September 2016 and 2015.

	Unaudited											
	Merchandise		Service		Investment		Corporate and other		Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	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	348,336	364,574	74,578	71,624	-	-	-	-	-	-	422,914	436,198
Inter-segment sales	14,183	12,360	1,617	1,609	-	-	-	-	(15,800)	(13,969)	-	-
Other income and gains	3,662	2,094	-	-	7,068	7,258	44	45	(4,710)	(4,469)	6,064	4,928
<b>Total</b>	<b>366,181</b>	<b>379,028</b>	<b>76,195</b>	<b>73,233</b>	<b>7,068</b>	<b>7,258</b>	<b>44</b>	<b>45</b>	<b>(20,510)</b>	<b>(18,438)</b>	<b>428,978</b>	<b>441,126</b>
<b>Segment results</b>	<b>(22,096)</b>	<b>(8,250)</b>	<b>3,390</b>	<b>2,237</b>	<b>2,320</b>	<b>2,631</b>	<b>(4,089)</b>	<b>(4,752)</b>	<b>-</b>	<b>-</b>	<b>(20,475)</b>	<b>(8,134)</b>
Interest income											1,207	1,458
Share of results of an associate											-	(147)
<b>Loss before tax</b>											<b>(19,268)</b>	<b>(6,823)</b>
Income tax expense											<b>(498)</b>	<b>(1,176)</b>
<b>Loss for the period</b>											<b>(19,766)</b>	<b>(7,999)</b>

### 3 OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Gross rental income	4,082	4,422
Interest income on bank deposits	1,207	1,458
Others	1,982	506
	<b>7,271</b>	<b>6,386</b>

#### 4 LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss on disposals of equipment	6	–
Provision for inventories <i>(note(a))</i>	3,632	1,096
Cost of inventories sold <i>(note (a))</i>	289,857	296,331
Cost of services provided <i>(note (a))</i>	34,960	35,964
Professional and legal expenses	880	840
Depreciation and amortisation	10,306	10,299

*Note:*

(a) Included in “Cost of sales” on the face of the condensed consolidated income statement.

#### 5 INCOME TAX EXPENSE

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong:		
Charge for the year	254	650
Over-provision in prior years	(117)	(138)
– Mainland China:		
Charge for the year	435	541
	<u>572</u>	<u>1,053</u>
Deferred tax	<u>(74)</u>	<u>123</u>
Total tax charge for the period	<u>498</u>	<u>1,176</u>

Hong Kong profits tax has been provided for at the rate of 16.5% (six months ended 30 September 2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxation on profits assessable for the period in the People's Republic of China (“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 an interim dividend for the six months ended 30 September 2016 (2015: HK\$Nil).

## 7 LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

### (a) Basic loss per share

The calculations of the basic loss per share for the six months ended 30 September 2016 and 2015 are based on:

	<b>For the six months ended 30 September</b>	
	<b>2016</b>	<b>2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Loss:</b>		
Loss attributable to owners of the Company, used in the basic loss per share calculation	<u><u>(20,034)</u></u>	<u><u>(7,896)</u></u>
<b>Shares:</b>		
Weighted average number of ordinary shares in issue during the period, used in the basic loss per share calculation	<u><u>1,185,318,349</u></u>	<u><u>1,185,318,349</u></u>

### (b) Diluted loss per share

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 September 2016 and 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2016 and 2015.



## 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 payment due date and net of impairment, is as follows:

	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (Audited) HK\$'000
Current	31,555	50,856
1 to 3 months	12,977	10,799
Over 3 months	1,049	1,379
	<u>45,581</u>	<u>63,034</u>

## 9 TRADE AND BILLS PAYABLES

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

	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (Audited) HK\$'000
Within 3 months	43,915	44,805
Over 3 months	1,229	969
	<u>45,144</u>	<u>45,774</u>

## 10 AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is unsecured, interest bearing at 5% per annum on balances as at each month-end and repayable on demand. During the six months ended 30 September 2016, the Group received management fee and interest income from its associate of HK\$388,000 (six months ended 30 September 2015: HK\$13,000) and HK\$284,000 (six months ended 30 September 2015: HK\$3,000), respectively. These transactions were carried out at a rate mutually-agreed between the parties involved in the transactions.

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

## 11 RELATED PARTY TRANSACTIONS

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

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

	<b>For the six months ended 30 September</b>	
	<b>2016</b>	<b>2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Short term employee benefits	<b>2,810</b>	2,764
Post-employment benefits	<b>36</b>	36
	<hr/>	<hr/>
Total compensation paid to key management personnel	<b><u>2,846</u></b>	<b><u>2,800</u></b>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

For the six months ended 30 September 2016, the Group generated consolidated turnover of HK\$423 million, a decrease of 3% compared to the HK\$436 million recorded during the same period last year.

### **BUSINESS REVIEW**

#### **Merchandising**

##### *Photographic Products*

The photographic products industry is largely affected by economic adversity. Despite poor retail sentiment in Hong Kong, the Group saw encouraging performance from its digital products. Over the first six months of the fiscal year, the Group's newly launched digital products proved very attractive to serious users of photographic equipment, which helped drive a sales increase for this segment of 22.3% for the period under review. By contrast, sales of instant products decreased by 25.8%.

##### *Skincare Products*

The Group continues to operate this segment as an online business, which has significantly reduced costs. However, because the Hong Kong market for skincare and beauty products remains extremely competitive, the Group's challenge is to maintain a strong level of awareness of its skincare range through appropriate levels of advertising and promotion with low administering cost.

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

Consumer sentiment for big-ticket electronic items, such as those typically sold in the Group's outlets, remains weak. Nonetheless, the trend in Hong Kong toward very large television sets has brought many customers to the Group's stores and helped establish the network as one of the city's premium dealers in large TVs.

During the period under review, the Group had to lower the prices of a number of popular consumer electronic products and household appliances sold at its stores in order to compete effectively. As a result, the segment saw a drop in total sales. Total sales volume of certain large size TVs increased, however, suggesting that the Group's AV Life store brand is building a solid and growing customer base, which could improve results with a recovery in the retail market.

## **Servicing**

### ***Photofinishing and Technical Services***

Despite the challenging retail environment, the Group's photofinishing and technical services segment turned in a satisfactory performance. Total sales saw a year-on-year increase of 4%, which was primarily due to higher sales for the Group's ID photo, document solution and personalized image gift services, along with modest increases in sales of albums and frames as well as batteries.

### ***Custom Design and Installation Services***

Although this segment is still in its development phase, the Group sees great potential for advanced, custom-designed visual and audio equipment and programming in both the household and business sectors. The Group expects that its successes and experiences to date will lead to other significant projects in the years ahead.

## **BRAND MANAGEMENT**

The first half of the year saw a number of important new camera models and accessories introduced into the FUJIFILM range, which the Group marketed vigorously. The Group also launched the brand-new FUJIFILM instax SHARE SP-2 instant wireless printer in mid-July.

Also in July the Group finalized a long-term alliance for FUJIFILM with Hong Kong Disneyland Resort, where FUJIFILM is now the Resort's official imaging sponsor. Under the alliance, all photographic equipment for Hong Kong Disneyland Resort is provided by FUJIFILM. In addition, FUJIFILM instax products with Disney cartoon characters are available for sale in the resort area.

During the period under review, the Group continued to leverage the high profile of its photographic products and the prestigious awards they have collected to boost sales.

Fotomax's popular Year Album has gone from strength to strength since it was launched in late 2014. Year Album sales rose by 79.3% against the same period last year.

The Group also kept awareness of its AV Life brand high with a series of promotional campaigns. The AV Life outlet in the prominent Causeway Bay department store SOGO continues to serve as a high-end showcase for the brand's products.

## **FINANCIAL RESOURCES**

The financial position of the Group remained sound and healthy during the period under review. As at 30 September 2016, the Group's cash and bank balances were approximately HK\$255 million with a zero gearing ratio. Trade receivables of HK\$46 million were recorded for the period, while inventory was HK\$147 million.

## **OUTLOOK**

With the retail market in Hong Kong depressed, the Group is in the process of implementing a number of measures designed to reduce expenditures and broaden the Group's sources of income.

These include new projects that are currently in the discussion phase and which the Group is optimistic will help bring new prosperity in the medium term. The Group's recent agreement with Hong Kong Disneyland is a new attempt to expand its business scope, and the management is confident that the move will help strengthen the Group's reputation and increase revenue.

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

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

## **AUDIT COMMITTEE**

The Company has an audit committee (the "Committee") which was established in accordance with the Rules 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The 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 six months ended 30 September 2016, approved by the Board of Directors on 22 November 2016, 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 independent auditor, have also reviewed the aforesaid unaudited interim financial information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Hong Kong Institute of Certified Public Accountants.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the directors, the Company had complied with the code provisions as set out in Appendix 14 of the Main Board Listing Rules throughout the six months ended 30 September 2016.

## **INTERIM DIVIDEND**

The Board does not recommend payment of any interim dividend for the six months ended 30 September 2016.

Full details on the subject of corporate governance are set out in the Company's 2016 Interim Report.

## MEMBERS OF THE BOARD

As at the date of this announcement, the directors of the Company are:

*Executive Directors:*

Dr SUN Tai Lun, Dennis (*Chairman*)

Mr SUN Tao Hung, Stanley (*Deputy Chairman*)

Ms NG Yuk Wah, Eileen

Mr TANG Kwok Tong, Simon

*Independent Non-executive Directors:*

Mr AU Man Chung, Malcolm

Mr LI Ka Fai, David

Mr LIU Hui, Allan

Dr WONG Chi Yun, Allan

*Non-executive Director:*

Mr FUNG Yue Chun, Stephen

On behalf of the Board

**Sun Tai Lun**

*Chairman*

HKSAR, 22 November 2016

<http://www.chinahkphoto.com.hk>