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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 2015**

HIGHLIGHTS

- Consolidated revenue decreased by 16.3%
- Group recorded loss of HK\$8 million for the current period
- The Board of Directors does not recommend any interim dividend

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

	<i>Note</i>	For the six months ended 30 September	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue	2	436,198	520,975
Cost of sales		(333,391)	(397,908)
Gross profit		102,807	123,067
Other income and gains	3	6,386	6,705
Selling and distribution costs		(67,310)	(70,454)
Advertising and marketing expenses		(11,126)	(17,145)
Administrative expenses		(37,433)	(35,808)
Other operating expense, net		—	(63)

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	<i>Note</i>	For the six months ended 30 September	
		2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>
Operating (loss)/profit		(6,676)	6,302
Share of results of an associate		<u>(147)</u>	<u>(625)</u>
(Loss)/profit before tax	4	(6,823)	5,677
Income tax expense	5	<u>(1,176)</u>	<u>(1,524)</u>
(Loss)/profit for the period		<u>(7,999)</u>	<u>4,153</u>
(Loss)/profit attributable to:			
Owners of the Company		(7,896)	4,179
Non-controlling interests		<u>(103)</u>	<u>(26)</u>
		<u>(7,999)</u>	<u>4,153</u>
(Loss)/earnings per share attributable to owners of the Company	7		
Basic		<u>HK(0.67) cent</u>	<u>HK0.35 cent</u>
Diluted		<u>HK(0.67) cent</u>	<u>HK0.35 cent</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	For the six months ended 30 September	
	2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>
(Loss)/profit for the period	(7,999)	4,153
Other comprehensive (loss)/income		
Item that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	<u>(740)</u>	<u>540</u>
Total comprehensive (loss)/income for the period	<u>(8,739)</u>	<u>4,693</u>
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(8,636)	4,719
Non-controlling interests	<u>(103)</u>	<u>(26)</u>
	<u>(8,739)</u>	<u>4,693</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2015

	30 September 2015 (Unaudited) <i>HK\$'000</i>	31 March 2015 (Audited) <i>HK\$'000</i>
	<i>Note</i>	
Non-current assets		
Property, plant and equipment	78,434	83,189
Investment properties	177,035	177,185
Goodwill	44,207	44,207
Trademarks	13,999	14,388
Deposits	15,734	13,894
Deferred tax assets	160	293
Total non-current assets	329,569	333,156
Current assets		
Inventories	179,560	196,675
Trade receivables	33,946	37,073
Amount due from an associate	3,673	–
Prepayments, deposits and other receivables	28,542	35,668
Tax recoverable	21	21
Cash and bank balances	280,628	270,192
Total current assets	526,370	539,629
Current liabilities		
Trade and bills payables	42,405	43,016
Accrued liabilities and other payables	47,687	52,161
Tax payable	9,518	8,959
Total current liabilities	99,610	104,136
NET CURRENT ASSETS	426,760	435,493
Total assets less current liabilities	756,329	768,649
Non-current liabilities		
Accrued liabilities	2,272	5,773
Deferred tax liabilities	23,641	23,721
Total non-current liabilities	25,913	29,494
Net assets	730,416	739,155
EQUITY		
Equity attributable to owners of the Company		
Share capital	118,532	118,532
Reserves	612,539	621,175
	731,071	739,707
Non-controlling interests	(655)	(552)
Total equity	730,416	739,155

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 2015 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 2015, 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 2015, 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.

HKAS 19 (Amendment)	Defined benefit plans: employee contributions
Annual improvements	Annual improvements 2010-2012 cycle
Annual improvements	Annual improvements 2011-2013 cycle

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.

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 2015 and 2014.

	Unaudited											
	Merchandise		Service		Investment		Corporate and other		Eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	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	364,574	451,141	71,624	69,834	-	-	-	-	-	-	436,198	520,975
Inter-segment sales	12,360	15,089	1,609	1,631	-	-	-	-	(13,969)	(16,720)	-	-
Other income and gains	503	472	2	-	4,423	4,166	-	-	-	-	4,928	4,638
Total	377,437	466,702	73,235	71,465	4,423	4,166	-	-	(13,969)	(16,720)	441,126	525,613
Segment results	(8,250)	6,451	2,237	307	2,631	1,847	(4,752)	(4,370)	-	-	(8,134)	4,235
Interest income											1,458	2,067
Share of results of an associate											(147)	(625)
(Loss)/profit before tax											(6,823)	5,677
Income tax expense											(1,176)	(1,524)
(Loss)/profit for the period											(7,999)	4,153

3 OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross rental income	4,422	4,135
Interest income on bank deposits	1,458	2,067
Others	506	503
	<u>6,386</u>	<u>6,705</u>

4 (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on disposals of equipment (<i>note (a)</i>)	–	63
Provision/(write back of provision) for inventories (<i>note(b)</i>)	1,096	(1,724)
Cost of inventories sold (<i>note (b)</i>)	296,331	362,893
Cost of services provided (<i>note (b)</i>)	35,964	36,739
Professional and legal expenses	840	840
Depreciation and amortisation	10,299	9,897

Note:

- (a) Included in “Other operating expense, net” on the face of the condensed consolidated income statement.
- (b) 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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current income tax:		
– Hong Kong:		
Charge for the year	650	1,857
Over-provision in prior years	(138)	(414)
– Mainland China:		
Charge for the year	541	444
	<u>1,053</u>	<u>1,887</u>
Deferred tax	123	(363)
	<u>1,176</u>	<u>1,524</u>
Total tax charge for the period	<u>1,176</u>	<u>1,524</u>

Hong Kong profits tax has been provided for at the rate of 16.5% (six months ended 30 September 2014: 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

	For the six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interim – Nil (six months ended 30 September 2014: HK1 cent) per ordinary share	<u>–</u>	<u>11,853</u>

7 (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic (loss)/earnings per share

The calculations of the basic (loss)/earnings per share for the six months ended 30 September 2015 and 2014 are based on:

	For the six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/earnings:		
(Loss)/profit attributable to owners of the Company, used in the basic (loss)/earnings per share calculation	<u>(7,896)</u>	<u>4,179</u>
Shares:		
Weighted average number of ordinary shares in issue during the period, used in the basic (loss)/earnings per share calculation	<u>1,185,318,349</u>	<u>1,185,318,349</u>

(b) Diluted (loss)/earnings per share

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the six months ended 30 September 2015 and 2014 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2015 and 2014.

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:

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Current	23,088	25,634
1 to 3 months	8,871	7,682
Over 3 months	1,987	3,757
	<u>33,946</u>	<u>37,073</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:

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Within 3 months	41,004	42,183
Over 3 months	1,401	833
	<u>42,405</u>	<u>43,016</u>

10 RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Short term employee benefits	2,764	3,574
Post-employment benefits	36	35
	<u>2,800</u>	<u>3,609</u>

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2015, the Group generated consolidated turnover of HK\$436 million, a decrease of 16.3% compared to the HK\$521 million recorded during the same period last year.

BUSINESS REVIEW

Merchandising

Photographic Products

A sluggish retail market saw the Group's year-on-year sales of instant products fall by 18.6% and sales of digital products fall by 23.6%. The Group's dealers, faced with weakened consumer sentiment, are proceeding cautiously and reducing their order volumes for digital products. The significant decline in Mainland tourists entering Hong Kong in recent months has also impacted sales, while the on-going depreciation of the Japanese yen and favourable exchange rate have drawn many Mainland tourists to Japan to purchase cameras. The Group will closely monitor the market situation and take appropriate action.

Skincare Products

The Group continued to streamline its skincare business away from a higher-cost brick-and-mortar model by exploring new sales and marketing channels to consolidate its niche in Hong Kong. The Group cited progress in three key areas: introducing its skincare products for use in facial treatments at influential beauty houses and beauty treatment centres; working to feature products in popular promotional programmes of leading banks and negotiating corporate sales to large enterprises in Hong Kong. These initiatives are still in their early phases and it is believed that they will gradually help the skincare business achieve new revenue streams.

Consumer Electronic Products and Household Appliances

Televisions were the highest-selling products among the wide range of consumer electronic products and household electrical appliances sold in Group's stores, contributing 55.8% of the segment's total turnover. Although generally soft consumer sentiment impacted the segment during the first six months of the financial year, the Group believes the Government's policy to increase the number of new public housing estates in the next decade offers strong potential for higher sales.

Servicing

Photofinishing and Technical Services

The Group's photofinishing and technical services segment performed well during the period under review. Total sales for the online business jumped 73% year-on-year as a direct result of the successful Fotomax website revamp, which created growth across all aspects of the Group's online offerings. The Group cited as an example prints made from internet orders, which totalled 2.1 million over the first six months, an increase of 20.8% compared with the same period last year.

Custom Design and Installation Service

The Group's custom design and installation service has gained a favourable reputation in the industry since its launch. It won several important projects during the period under review, including a large project for the design, supply and installation of an AV system in Manulife Tower, a grade A building in Kwun Tong.

BRAND MANAGEMENT

The Group was again highly active promoting the latest FUJIFILM cameras and camera accessories in the first half of the financial year. Its camera models were also once again successful in prestigious international awards programmes.

The imaging business performed well during the period under review, a trend that is expected to continue. The Group continues to utilise group buying and bulk buying strategies to attract less-frequent users of its services, especially during low seasons. Meanwhile its ID photo shooting service now makes up 36.8% of the imaging business after achieving year-on-year sales growth of 14.3%. The Group considered the service is proving popular because of Fotomax's ability to offer customers a comfortable, convenient environment as well as highly skilled photographers with professional equipment.

The Group's DIY gift items show good potential for the imaging business, especially with the development of a user-friendly online DIY tool that has been very effective in encouraging customers to order personalised items via the internet. Besides, the DocuXpress document solution service has grown steadily since its launch, developing a reputation for quality based on its use of advanced Fuji Xerox equipment.

To generate loyalty and raise public awareness of the products and services offered under its consumer electronic products and household appliances segment, the Group launched an AV Life New Membership Campaign in April 2015. It also rolled out a summer campaign in collaboration with Samsung.

FINANCIAL RESOURCES

The financial position of the Group remained sound and healthy during the period under review. As at 30 September 2015, the Group's cash and bank balances were approximately HK\$281 million with a zero gearing ratio. Trade receivables of HK\$34 million were recorded for the period, while inventory was HK\$180 million.

OUTLOOK

The Group's business mix has changed significantly over the past few years, and some of its newer businesses are still establishing themselves or adapting to changing market conditions. The Group will continue to implement a range of initiatives promoting its products and services and the Group remains highly proactive in exploring new opportunities and business directions. Examples are its new store opened through an associate with kikki.K, a premium stationery brand from Australia and a new self-service photo-printing machine, the FUJIFILM Wonder Print Station.

The Group believes that in the medium and longer terms its prospects for steady growth are good, and that the fundamental strengths of its core businesses will help ensure that the recent downturn is only a temporary one.

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 2015, approved by the Board of Directors on 25 November 2015, 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 auditor, 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 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 2015.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 September 2015.

Full details on the subject of corporate governance are set out in the Company's 2015 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, 25 November 2015

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