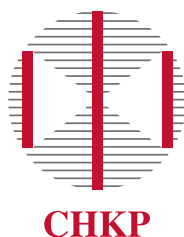


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**CHINA-HONGKONG PHOTO PRODUCTS HOLDINGS LIMITED**  
**中港照相器材集團有限公司**  
(Incorporated in Bermuda with limited liability)  
(Stock Code: 1123)

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013**

**HIGHLIGHTS**

- Sales of instant products up 9.4%
- Sales of Jelly Aquarysta increase by 26.5%
- Sales of imaging gift items and services jump 36.8%
- Interim special dividend of HK2 cents per share declared

**CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the six months ended 30 September 2013*

		<b>For the six months ended 30 September</b>	
		<b>2013</b>	2012
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	3	<b>327,074</b>	236,074
Cost of sales		<u>(245,243)</u>	<u>(165,061)</u>
Gross profit		<b>81,831</b>	71,013
Other income and gains	4	<b>7,688</b>	8,572
Selling and distribution costs		<b>(37,244)</b>	(31,724)
Advertising and marketing expenses		<b>(16,445)</b>	(13,777)
Administrative expenses		<b>(31,007)</b>	(24,726)
Other operating expense, net		<u>(14)</u>	<u>(5)</u>

## CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the six months ended 30 September 2013

		<b>For the six months ended 30 September</b>	
		<b>2013</b>	2012
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit before tax</b>	5	<b>4,809</b>	9,353
Income tax expense	6	<b>(2,741)</b>	(3,525)
<b>Profit for the period</b>		<b><u>2,068</u></b>	<b><u>5,828</u></b>
Profit attributable to:			
Owners of the Company		<b>1,873</b>	5,828
Non-controlling interests		<b>195</b>	–
		<b><u>2,068</u></b>	<b><u>5,828</u></b>
<b>Earnings per share attributable to owners of the Company</b>	8		
Basic		<b><u>HK0.16 cent</u></b>	<u>HK0.50 cent</u>
Diluted		<b><u>HK0.16 cent</u></b>	<u>HK0.50 cent</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2013

		<b>For the six months ended 30 September</b>	
		<b>2013</b>	2012
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the period</b>		<b>2,068</b>	5,828
<b>Other comprehensive income/(loss)</b>			
Item that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		<b>216</b>	(117)
<b>Total comprehensive income for the period</b>		<b><u>2,284</u></b>	<b><u>5,711</u></b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>2,089</b>	5,711
Non-controlling interests		<b>195</b>	–
		<b><u>2,284</u></b>	<b><u>5,711</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2013*

	<i>Notes</i>	<b>30 September 2013</b> (Unaudited) <i>HK\$'000</i>	31 March 2013 (Audited) <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		57,299	28,961
Investment properties		171,453	197,945
Goodwill		80,085	35,878
Trademarks		15,569	–
Interest in an associate		1,000	600
Rental deposits		6,783	5,690
Deferred tax assets		33	33
<b>Total non-current assets</b>		<b>332,222</b>	269,107
<b>Current assets</b>			
Inventories		163,733	103,889
Trade receivables	9	67,860	22,856
Prepayments, deposits and other receivables		36,287	11,342
Tax recoverable		13	13
Held-to-maturity investment		–	6,019
Cash and bank balances		377,435	542,147
<b>Total current assets</b>		<b>645,328</b>	686,266
<b>Current liabilities</b>			
Trade and bills payables	10	58,764	28,237
Accrued liabilities and other payables		47,418	40,067
Tax payable		13,862	11,180
<b>Total current liabilities</b>		<b>120,044</b>	79,484
<b>Net current assets</b>		<b>525,284</b>	606,782
<b>Total assets less current liabilities</b>		<b>857,506</b>	875,889
<b>Non-current liabilities</b>			
Accrued liabilities and other payables		14,624	7,624
Deferred tax liabilities		23,546	23,493
<b>Total non-current liabilities</b>		<b>38,170</b>	31,117
<b>Net assets</b>		<b>819,336</b>	844,772
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		118,532	116,383
Reserves		676,891	687,656
Proposed final dividend		–	23,276
Proposed final special dividend		–	17,457
Proposed interim special dividend		23,706	–
		<b>819,129</b>	844,772
Non-controlling interests		207	–
<b>Total equity</b>		<b>819,336</b>	844,772

# 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 2013 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 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

### 2.1 CHANGES IN ACCOUNTING POLICY 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 2013, as described in those annual financial statements.

The Group has adopted the following new and revised HKFRSs for the first time for the current period’s financial statements.

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 19 (2011)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures
HKFRS 1 (Amendment)	Government loans
HKFRS 7 (Amendment)	Financial instruments: disclosure – offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurements
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine
Fourth annual improvements projects (2011)	Improvements to HKFRS published in June 2012

The adoption of these new standards and amendments to existing standards does not have significant impact on the Group’s condensed consolidated interim financial information except additional disclosures as required by HKAS 1 (Amendment) “Presentation of financial statements” and HKFRS 13 “Fair Value Measurement”.

## 2.2 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 these interim financial statements.

HKAS 32 (Amendment)	Financial instruments: presentation – offsetting financial assets and financial liabilities <sup>1</sup>
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets <sup>1</sup>
HKAS 39 (Amendment)	Novation of derivatives and continuation of hedge accounting <sup>1</sup>
HKAS 27 (Revised 2011), HKFRS 10 and HKFRS 12 (Amendment)	Investment entities <sup>1</sup>
HKFRS 7 and 9 (Amendment)	Mandatory effective date and transition disclosures <sup>2</sup>
HKFRS 9	Financial instruments <sup>2</sup>
HK(IFRIC) – Int 21	Levies <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015

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

## 3. 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 sale of photographic merchandises, skincare products, consumer electronic products and household appliances;
- (b) the service segment engages in the provision of film processing, photo-finishing services, technical services for photographic developing and processing products, professional audio-visual advisory and custom design and installation service;
- (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 monitor the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income and unallocated gains are excluded for such measurement.

The following table presents revenue and profit/(loss) of the Group's segments for the six months ended 30 September 2013 and 2012.

	Unaudited											
	Merchandise		Service		Investment		Corporate and other		Eliminations		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	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	265,945	179,070	61,129	57,004	-	-	-	-	-	-	327,074	236,074
Inter-segment sales	14,629	14,828	1,669	1,514	-	-	-	-	(16,298)	(16,342)	-	-
Other income and gains	732	410	-	-	4,160	4,171	-	-	-	-	4,892	4,581
<b>Total</b>	<b>281,306</b>	<b>194,308</b>	<b>62,798</b>	<b>58,518</b>	<b>4,160</b>	<b>4,171</b>	<b>-</b>	<b>-</b>	<b>(16,298)</b>	<b>(16,342)</b>	<b>331,966</b>	<b>240,655</b>
<b>Segment results</b>	<b>2,780</b>	<b>3,489</b>	<b>3,098</b>	<b>2,326</b>	<b>2,710</b>	<b>2,585</b>	<b>(6,575)</b>	<b>(3,038)</b>	<b>-</b>	<b>-</b>	<b>2,013</b>	<b>5,362</b>
Interest income											2,796	3,991
<b>Profit before tax</b>											4,809	9,353
Income tax expense											(2,741)	(3,525)
<b>Profit for the period</b>											<b>2,068</b>	<b>5,828</b>

During the period, the Group performed a review on its businesses and rationalised the classifications for certain other income and gains allocated to the respective reporting segments. Accordingly, certain comparative amounts have been reclassified to conform to the current period's presentation.

#### 4. OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Rental income	4,569	4,171
Interest income	2,796	3,991
Others	323	410
	<b>7,688</b>	<b>8,572</b>

## 5. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss on disposals of equipment ( <i>note (a)</i> )	14	5
Provision for inventories ( <i>note(b)</i> )	219	987
Cost of inventories sold ( <i>note (b)</i> )	215,580	138,451
Cost of services provided ( <i>note (b)</i> )	29,444	25,623
Professional and legal expenses	5,415	594
Depreciation and amortisation	5,268	4,445
	<u>5,268</u>	<u>4,445</u>

*Notes:*

- (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.

## 6. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong:		
Charge for the year	2,508	3,578
Over-provision in prior years	–	(133)
– Mainland China:		
Charge for the year	233	80
	<u>2,741</u>	<u>3,525</u>
Total tax charge for the period	<u>2,741</u>	<u>3,525</u>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period after offsetting certain amounts of the tax losses carried forward by certain subsidiaries of the Group. Taxes on profits assessable in the People's Republic of China ("PRC") have been calculated at the rates of tax prevailing in the location in which the Group operates.

## 7. DIVIDEND

	<b>For the six months ended 30 September</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim special – HK2 cents (six months ended 30 September 2012: HK2 cents) per ordinary share	<b>23,706</b>	<b>23,276</b>

At a meeting of the board of directors held on 27 November 2013, the directors resolved to pay on 23 January 2014 (Thursday) an interim special dividend of HK2 cents per ordinary share to shareholders whose names appear on the register of members of the Company on 10 January 2014 (Friday).

## 8 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 2013 and 2012 are based on:

	<b>For the six months ended 30 September</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Earnings:</b>		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	<b>1,873</b>	<b>5,828</b>
<b>Shares:</b>		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	<b>1,169,551,250</b>	<b>1,163,828,377</b>

### (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 2013 and 2012 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2013 and 2012.



## 9. 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 30 days, except for certain well-established customers where the terms are extended to 120 days.

An aged 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 2013 (Unaudited) HK\$'000</b>	31 March 2013 (Audited) HK\$'000
Current to 3 months	67,463	22,268
Over 3 months	397	588
	<u>67,860</u>	<u>22,856</u>

## 10. TRADE AND BILLS PAYABLES

An aged 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 2013 (Unaudited) HK\$'000</b>	31 March 2013 (Audited) HK\$'000
Current to 3 months	58,336	27,901
Over 3 months	428	336
	<u>58,764</u>	<u>28,237</u>

## 11. RELATED PARTY TRANSACTIONS

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

	<b>For the six months ended 30 September</b>	
	<b>2013 (Unaudited) HK\$'000</b>	2012 (Unaudited) HK\$'000
Short term employee benefits	3,371	3,289
Post-employment benefits	30	30
	<u>3,401</u>	<u>3,319</u>
Total compensation paid to key management personnel	<u>3,401</u>	<u>3,319</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

For the six months ended 30 September 2013, the Group generated consolidated turnover of HK\$327 million and net profit of HK\$2 million. Earnings per share was amounted to HK0.16 cent.

### **BUSINESS REVIEW**

#### **Merchandising**

##### *Photographic Products*

The Group continued to benefit from strong sales of its instant products during the period under review, generating revenue of 9.4% over the previous period. This positive performance was achieved through a series of promotional and merchandising campaigns that kept public attention firmly focused on the Group's latest offerings.

Sales of digital products rose by 4.6% due to the launch of new camera models. The Group supported these launches with advertisements placed across major promotional platforms, including online platforms such as TVB.com, Facebook and YouTube.

##### *Skincare Products*

Sales of Jelly Aquarysta increased 26.5% over the first six months of the year. The Group added that the brand received another high-profile award, the JESSICACODE Excellence Award 2013 – “Excellence in Intake Collagen Award”.

In May, the Group launched a new series of skincare products under the “Lunamer” brand name that generated considerable interest in the market. This was supported by extensive advertising across various key media.

The Group also reported increased demand for its ASTALIFT Day Protector White following a summer promotion that drove a 14.8% rise in sales over the previous period.

The Group expanded its network of skincare outlets during the first six months of the year. This included the opening of a new ASTALIFT counter and a series of aggressive promotional strategies that quickly established a strong customer base. Sales and promotions at other outlets continued to generate business from existing and new customers.

## *Consumer Electronic Products and Household Appliances*

Retail sales in consumer electronics and household appliances performed respectably in the two months following the acquisition of certain business assets of YCY Holdings Limited and its subsidiaries, and Galerien und PartnerPlus Limited, contributing 11.4% of the Group's sales. Sales from the wholesale business were promising, accounting for 13.1% of total sales for the Group over the interim.

### **Servicing**

#### *Photofinishing and Technical Services*

The Group's photofinishing and technical services saw steady performance during the period under review, with total sales for photofinishing remaining similar to the first six months of last year.

Revenue from imaging gift services increased 36.8%. This was mainly due to significant sales growth from paper products such as personalized stickers (up 78.3%) and other gift items including Fotobook sales, which rose 14.6%, and outsourcing gifts, which grew by 15.3%.

#### *Custom Installation Service*

Another new venture for the Group was custom installation service, which mainly provides audio-visual advisory as well as custom design and installation services. The latter includes the design of high-end AV rooms for retail customers, and custom design and installation of video-conferencing facilities for both the commercial sector and the governmental and non-commercial sector.

## **BRAND MANAGEMENT**

To maintain public interest and sales, the Group remained very active promoting its various brands. This included emphasizing the trend of instant photography to promote its FUJIFILM INSTAX brand. Another important initiative was the end-August launch of the Instax mini 90 Neo Classic, a retro-inspired camera that is also the most advanced instant camera in the FUJIFILM Instax mini range.

The Group also ran an active promotional program for its digital camera range. This involved leveraging advertisements and promotions developed by FUJIFILM in Japan, such as the latest FUJIPOP advertisement, "Ideas (想法)".

FUJIFILM STUDIO, the Group's specialist photographic store in Causeway Bay, continued to cater for serious photographers and foster camera culture in the market. The Group continued to hold regular exhibitions, classes and events to establish FUJIFILM STUDIO as a must-visit destination for photographers and enhance its effectiveness as a platform for promoting FUJIFILM products.

During the period the Group prioritized increasing awareness of its new Lunamer products. Its active brand management strategies were also applied to the AV Life, Life Electric and Life Digital retail businesses, which have only been able to contribute two months of results for the first six months of the year.

## **FINANCIAL RESOURCES**

The financial position of the Group remained sound and healthy during the period under review. As at 30 September 2013, the Group's cash and bank balances were approximately HK\$377 million with a zero gearing ratio. Trade receivables of HK\$68 million were recorded for the period, while inventories was HK\$164 million.

## **OUTLOOK**

The Group believes that there is much potential for growth in its new consumer electronic products and household appliances venture – both in terms of geographical expansion, and in terms of strengthening its positioning and brand image. Although the custom installation service is still in a preliminary stage of development, the Group is optimistic about the future growth potential of this niche market segment.

Elsewhere, the Group has been looking at ways of developing alternative sales channels to physical shop locations. To this end, the Group has revamped and re-launched the fotomax.com website with a range of new online features, which the Group is confident that it will give customers a convenient, attractive new way to purchase products and services.

## **CLOSURE OF SHARE REGISTER**

The register of members will be closed from 8 January 2014 (Wednesday) to 10 January 2014 (Friday), both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining who is entitled to the interim special dividend. In order to qualify for the proposed interim special dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 7 January 2014 (Tuesday).

## **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.

## 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 of the Company. The Group’s financial statements for the period ended 30 September 2013 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, Messrs PricewaterhouseCoopers, have also reviewed the aforesaid unaudited interim financial information.

## 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 Listing Rules throughout the period ended 30 September 2013.

## 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

On behalf of the Board

**Sun Tai Lun**

*Chairman*

HKSAR, 27 November 2013

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