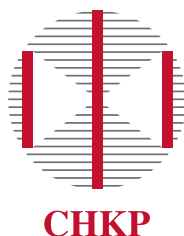


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CHINA-HONGKONG PHOTO PRODUCTS HOLDINGS LIMITED
中港照相器材集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1123)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

HIGHLIGHTS

- Group recorded consolidated turnover of HK\$456 million
- Group achieved profit of HK\$3.6 million
- Sales of digital products increases 89.6%
- Board of Directors does not recommend payment of an interim dividend

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

	<i>Note</i>	For the six months ended 30 September	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	2	456,431	422,914
Cost of sales		(347,611)	(328,449)
Gross profit		108,820	94,465
Other income and gains	3	7,470	7,271
Selling and distribution costs		(67,371)	(70,242)
Advertising and marketing expenses		(9,024)	(12,962)
Administrative expenses		(35,544)	(37,800)
Operating profit/(loss)		4,351	(19,268)
Share of results of an associate		–	–
Profit/(loss) before income tax	4	4,351	(19,268)
Income tax expense	5	(702)	(498)
Profit/(loss) for the period		3,649	(19,766)
Profit/(loss) attributable to:			
– Owners of the Company		3,578	(20,034)
– Non-controlling interests		71	268
		3,649	(19,766)
Earnings/(loss) per share attributable to owners of the Company	7		
Basic earnings/(loss) per share		HK0.30 cent	HK(1.69) cent
Diluted earnings/(loss) per share		HK0.30 cent	HK(1.69) cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss) for the period	3,649	(19,766)
Other comprehensive income/(loss)		
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	<u>2,064</u>	<u>(1,387)</u>
Total comprehensive income/(loss) for the period	<u>5,713</u>	<u>(21,153)</u>
Total comprehensive income/(loss) attributable to:		
– Owners of the Company	<u>5,642</u>	<u>(21,421)</u>
– Non-controlling interests	<u>71</u>	<u>268</u>
	<u>5,713</u>	<u>(21,153)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

		30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		85,799	68,325
Investment properties		189,435	194,240
Deposits		12,879	13,511
Deferred tax assets		194	234
Total non-current assets		288,307	276,310
Current assets			
Inventories		140,824	154,343
Trade receivables	8	47,042	40,770
Amount due from an associate	10	25,036	21,825
Prepayments, deposits and other receivables		32,168	39,740
Tax recoverable		36	618
Cash and bank balances		249,327	241,180
Total current assets		494,433	498,476
Total assets		782,740	774,786
EQUITY			
Equity attributable to owners of the Company			
Share capital		118,532	118,532
Reserves		534,010	528,368
		652,542	646,900
Non-controlling interests		1,104	1,853
Total equity		653,646	648,753
LIABILITIES			
Non-current liabilities			
Accrued liabilities		2,837	2,837
Deferred tax liabilities		23,698	23,571
Total non-current liabilities		26,535	26,408
Current liabilities			
Trade and bills payables	9	42,411	41,739
Accrued liabilities and other payables		49,604	49,624
Tax payable		10,544	8,262
Total current liabilities		102,559	99,625
Total liabilities		129,094	126,033
Total equity and liabilities		782,740	774,786

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 2017 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 2017, 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 2017, as described in those annual financial statements.

The Group has adopted the following new and revised HKASs for the first time for the current period’s condensed consolidated interim financial information.

Annual Improvements Project (Amendments) – HKFRS 12	Annual Improvements 2014-2016 Cycle
HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above new and amended HKASs does not have any significant impact on the Group’s results and financial position nor any substantial change in the Group’s accounting policies, and presentation of 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 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/(loss) before tax except that interest income and share of results of an associate 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 2017 and 2016.

	Unaudited											
	Merchandise		Service		Investment		Corporate and other		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	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	384,137	348,336	72,294	74,578	-	-	-	-	-	-	456,431	422,914
Inter-segment sales	17,974	14,183	1,277	1,617	-	-	-	-	(19,251)	(15,800)	-	-
Other income and gains	4,598	3,662	-	-	6,246	7,068	1,009	44	(5,724)	(4,710)	6,129	6,064
Total	406,709	366,181	73,571	76,195	6,246	7,068	1,009	44	(24,975)	(20,510)	462,560	428,978
Segment results	1,996	(22,096)	2,680	3,390	1,930	2,320	(3,596)	(4,089)	-	-	3,010	(20,475)
Interest income											1,341	1,207
Share of results of an associate											-	-
Profit/(loss) before income tax											4,351	(19,268)
Income tax expense											(702)	(498)
Profit/(loss) for the period											3,649	(19,766)

3 OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Gross rental income	4,206	4,082
Interest income on bank deposits	1,341	1,207
Others	1,923	1,982
	7,470	7,271

4 PROFIT/(LOSS) BEFORE INCOME TAX

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

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Gain)/loss on disposals of equipment	(16)	6
(Reversal of provision)/provision for inventories (note(a))	(1,340)	3,632
Cost of inventories sold (note (a))	314,688	289,857
Cost of services provided (note (a))	34,263	34,960
Foreign exchange differences, net	(1,620)	1,485
Professional and legal expenses	316	880
Depreciation of property, plant and equipment	9,357	10,306

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	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong:		
Charge for the year	389	254
Over-provision in prior years	(128)	(117)
– Mainland China:		
Charge for the year	394	435
	655	572
Deferred tax	47	(74)
Total tax charge for the period	702	498

Hong Kong profits tax has been provided for at the rate of 16.5% (six months ended 30 September 2016: 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 2017 (2016: HK\$Nil).

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

(a) Basic earnings/(loss) per share

The calculations of the basic earnings/(loss) per share for the six months ended 30 September 2017 and 2016 are based on:

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss):		
Profit/(loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculation	<u>3,578</u>	<u>(20,034)</u>
Shares:		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings/(loss) per share calculation	<u>1,185,318,349</u>	<u>1,185,318,349</u>

(b) Diluted earnings/(loss) per share

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 September 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2017 and 2016.

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 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Current	35,094	28,730
1 to 3 months	11,486	10,467
Over 3 months	462	1,573
	<u>47,042</u>	<u>40,770</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 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Within 3 months	41,690	41,051
Over 3 months	721	688
	42,411	41,739

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 2017, the Group received management fee and interest income from its associate of HK\$403,000 (six months ended 30 September 2016: HK\$388,000) and HK\$466,000 (six months ended 30 September 2016: HK\$284,000), 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:

	For the six months ended 30 September 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Short term employee benefits	3,502	2,810
Post-employment benefits	36	36
Total compensation paid to key management personnel	3,538	2,846

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2017, the Group recorded consolidated turnover of HK\$456 million, an increase of 7.9% compared with the same period last year. The improvement in result was due to the gradual stabilisation of Hong Kong's retail environment, newly-launched FUJIFILM digital cameras and accessories that were enthusiastically welcomed by customers, and effective cost control measures. The implementation of the Group's three-year business plan was another factor in the positive results the Group achieved over the first six months of 2017-2018.

BUSINESS REVIEW

Merchandising

Photographic Products

The Group recorded a significant spike in digital product sales, which increased by 89.6% compared to the first six months of 2016-2017. The Group drove sales through promotional efforts to launch a number of new professional and high-end digital cameras, lenses and accessories. Customers also responded favourably to certain new digital camera models that are compatible with a wide variety of lenses irrespective of brand.

Skincare Products

The Group launched a number of new products during the period under review, boosting sales by 28.6% year-on-year. To strengthen public awareness of its skincare products brand and gain exposure in one of Hong Kong's most popular shopping destinations, the Group opened a pop-up counter at the AEON department store in Kornhill, Tai Koo, in August 2017.

Consumer Electronic Products and Household Appliances

As at 30 September 2017, the Group operated a total of 16 shops in this segment. The first six months of the fiscal year saw a 6.7% decline in sales following the closures of three underperforming shops. Comparable stores indeed showed a drop in sales of just 1%.

Meanwhile, the Group's professional and commercial AV product wholesales business saw strong 20.4% year-on-year growth. In order to tap the potential of the wholesale market further, the Group recently signed a distributorship agreement with Samsung to wholesale its commercial television sets and innovative The Frame TVs in Hong Kong.

Servicing

Photofinishing and Technical Services

As at 30 September 2017, Fotomax was operating 63 stores across Hong Kong compared to 71 a year earlier. This reduction was largely due to the closures of certain underperforming shops. Despite the decrease in the number of shops, total sales for photo developing and processing remained stable with a moderate improvement of 0.4%.

The ID photo service represented 42.8% of the Group's imaging business. The Group will continue to promote its ID photo service and further explore ways to differentiate it from competitors.

Fotomax's DocuXpress document solution service accounted for 7.9% of the imaging business. Total sales for the personalised image gift service decreased by 9.5% compared with the same period last year. This was primarily due to a 7.8% fall in Fotobook sales compared to the first six months of last fiscal year. Exceptionally strong sales in Fotobook was noted in last year was due to a series of remarkable marketing campaigns for the launch of the new version of Year Album in May 2016.

Professional AV Advisory and Custom Design and Installation Services

This segment designs and installs professional audio and visual equipment and programming. The Group recently extended its customer base to include theme park hotels and deluxe residences. The Group is also involved in a major project being carried out at The Murray at Admiralty, a former government headquarters building that is being refurbished into a luxury hotel and is due to open in December 2017.

BRAND MANAGEMENT

The first half of the Group's fiscal year is always an important time for its digital camera sales as it typically corresponds with the launch of new models from FUJIFILM Japan. During the period under review, significant new products released included the FUJIFILM X-E3, a collection of FUJINON lenses, the FUJIFILM Instax SQUARE SQ-10 and the FUJIFILM Instax Mini 9 instant cameras. As always, the Group participated in promotional activities to market its new digital camera products.

During the period under review, a number of FUJIFILM products won prestigious awards, keeping the brand in the spotlight and attracting new buyers. Award-winners included the FUJIFILM GFX 50S, X-T2, X-T20, XF23mmF2 R WR and X100F.

The Group actively promoted its online skincare products business through a range of creative promotions and advertising initiatives, while at the same time expanding and updating its product range.

The Group's Fotomax segment was active in promoting its leading range of products and services, such as Year Album and D&P services.

In mid-August, the Group launched a brand-new personalised gift service, Gift Plus, which is powered by the new Emagination system from the UK that was recently purchased by Fotomax. Gift Plus widens the Group's product range for personalised gifts and enables such gifts to be produced using its own in-house equipment. The advanced-technology Emagination system also allows customers to mix and match multiple layers of templates to create their own personalised gifts with unique product designs.

To support its consumer household goods and electronic appliances segment, the Group launched various promotions for home movie theatres, QLED TVs and more. It will also continue to host roadshows.

FINANCIAL RESOURCES

The financial position of the Group remained sound and healthy during the period under review. As at 30 September 2017, the Group's cash and bank balances were approximately HK\$249 million with a zero gearing ratio. Trade receivables of HK\$47 million were recorded for the period, while inventory was HK\$141 million.

OUTLOOK

In the future, the Group will continue to roll out new products for its online skincare products business, further develop its new personalised gift platform and mobile phone printing service, and introduce famous new brands and products into the wholesale business of its consumer electronic products and household appliances segment. The Group is confident that the quality of its offerings, the Group's efforts to stay abreast of current trends and its three-year business plan together will translate into solid returns for investors in the medium term.

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 2017, approved by the Board of Directors on 23 November 2017, 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 2017.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 September 2017.

Full details on the subject of corporate governance are set out in the Company's 2017 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, 23 November 2017

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