



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)

Press Release

26th November 2014

CHINA-HONGKONG PHOTO ANNOUNCES INTERIM RESULTS

- Consolidated turnover increases 59.3%
- Sales of photographic instant products increase 17.4%
- New business segments introduced since August 2013 contribute 56% of consolidated turnover
- Interim dividend of HK1 cent per share declared

China-Hongkong Photo Products Holdings Limited (“China-Hongkong Photo” or the “Group”, stock code: 1123) today announced its interim results for the six months ended 30 September 2014. During the period under review, the Group generated consolidated turnover of HK\$521 million and net profit of HK\$4 million. Earnings per share amounted to HK0.35 cent.

“The period under review was marked by a number of changes to our business and new initiatives,” said Dr. Dennis Sun, Chairman of China-Hongkong Photo. “The new business segments of consumer electronic products and household appliances, professional audio-visual advisory services as well as custom design and installation services have successfully diversified our revenue streams. We are also reconstructing our skincare sales tactics into an online business and will gradually close its outlets in the period ahead to manage our costs and benefit the Group’s results in the long term.”

MERCHANDISING

Photographic Products

The trend for instant photography remained strong during the period under review, and helped push sales of instant cameras and films up by 17.4% compared to the same period last year.

Sales of digital products fell 16% year on year due to fewer new high-end digital camera models being launched during the period under review and frequent shortfalls in supply for popular existing models. Increasing photographic capabilities of mobile phones and similar devices have also reduced demand for low-end compact cameras. The Group is maintaining close communication with Fujifilm Japan to ensure steady supply that meets market expectations. During the first six months of the year, the Group also reviewed its product offerings and offered privilege promotion packages, which allow customers to mix and match different cameras and lenses to cater to their individual needs.

Skincare Products

Competition in the skincare market has become even fiercer in recent years. To address this challenge, China-Hongkong Photo decided to retain its competitive edge by focusing on online sales, thus eliminating most of its running costs. Although turnover dropped 35.4% compared to the same period last year following the closure of the Group’s retail outlets, the savings in running costs amounted to 36.4%, improving its overall earnings.



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Consumer Electronic Products and Household Appliances

As at 30 September 2014, the Group operated 17 retail outlets for the sales of consumer electronic products and household appliances. Among the variety of products offered, televisions contributed 60.7% of total sales in this segment. Seeing the rising demand for B2B sales in professional audio and visual products, the Group continued to devote resources to attracting prestigious international AV brands for public address systems, sound systems, electronic solutions, AV system integration devices, projectors and displays.

SERVICING

Photofinishing and Technical Services

Demand for traditional film processing and photo developing services continued to drop, falling 8.6% compared to the same period last year. However, sales of imaging gift items increased by 9.1% year on year, while sales from ID photo-taking increased by 10.1%. The Group's bundled document handling and printing service also recorded satisfactory growth of 4.2% compared to the same period last year. In addition, the Group saw a significant increase in online transactions for photo developing and imaging services of 80.8%.

Custom Design and Installation Services

This segment includes professional audio-visual advisory services as well as custom design and installation services, mainly for commercial customers and the public and non-profit-making sectors. Although it only contributed a modest amount to the Group's turnover during the period, the low starting point implies huge potential to grow in the existing market. The Group will continue to devote sufficient resources to this segment for future growth.

BRAND MANAGEMENT

The Group's brand management focuses on brands where it acts as distributor for Fujifilm Japan, as well as the Group's retail outlets under Fotomax, AV Life, Life Electric and Life Digital. During the period under review, the Group continued to engage in effective 360-degree brand management, including creative advertising campaigns, attractive promotional offers, diversified product offerings and shop image enhancements.

For photography-related FUJIFILM products, the Group carried out promotions for new cameras and accessories during the first six months of the year, with strong advertising campaigns in newspapers, TV commercials and various outdoor sites.

Under the ASTALIFT skincare product line, the Group put marketing efforts into newly introduced products in order to raise awareness among target customer groups.

Fotomax introduced a new photo developing and processing service called "Fotogram", which has been popular particularly among certain social media photo-sharing networks. Fotomax also continued to increase the variety of its product offerings to meet customer needs; featured products with popular licensed cartoon character images; launched special promotions during the Easter and the summer vacation periods, including a lucky draw for customers to win special-edition premiums; offered promotional packages at shops, online and through group buying campaigns; and offered special discounts to senior citizens, demonstrating the Group's continuous commitment to social responsibility.



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In the customer electronic products and household appliances, professional audio-visual advisory services as well as custom design and installation services segments, the Group launched a TVC highlighting AV Life's professionalism in audio and visual products. It also collaborated with suppliers to introduce technologically advanced products such as the world's first curved ultra-high-definition TV, helping consolidate AV Life's position as a pioneer audio and visual specialty store. Another initiative was adding modern, stylish design to new shops and upgraded existing shops with trendy new facades and interior renovations. In order to enhance the customer shopping experience, the Group provided an e-catalogue in each shop to help customers select from the full product range. It also introduced a new concept shop, AV Life Home, which provides both audio and visual products as well as home appliances.

OUTLOOK

"High rental and labour costs as well as understaffing have always been the main challenges for Hong Kong retailers," said Dr. Sun. "Also, slow global economic growth and the recent political turmoil in Hong Kong may cause consumer uncertainty and weaken consumption in the marketplace."

"However, by adopting proactive revenue diversification, maintaining stringent cost management and adding synergies from new acquisitions, the Group will certainly be more adaptable to market challenges, leaving an optimistic future growth."

ABOUT CHINA-HONGKONG PHOTO

Since 1968, China-Hongkong Photo Products Holdings Limited (stock code: 1123) has had a strong business partnership with Fujifilm Japan as the sole authorised distributor of FUJIFILM products in Hong Kong and Macau. In September 2010, the Group was appointed by Fujifilm Japan to be the exclusive agent in Hong Kong to launch and trade FUJIFILM skincare products under the brand name "ASTALIFT". The Group currently operates an extensive photo-finishing network under the "Fotomax" name in Hong Kong. In August 2013, the Group acquired certain business assets from YCY Holdings Limited and its subsidiaries as well as Galerien und PartnerPlus Limited, expanding its business to the sales of consumer electronics products and household electrical appliances under the "AV Life", "Life Electric" and "Life Digital" brands, as well as the provision of professional audio-visual advisory services and custom design and installation services.

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The full text of this and other Group announcements can be accessed online at www.chinahkphoto.com.hk.

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