



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
22nd June 2017

CHINA-HONGKONG PHOTO PRODUCTS HOLDINGS LIMITED ANNOUNCES ANNUAL RESULTS

- Challenging economic environment impacted the Group's turnover for the year
- High-quality professional photographic equipment remains a vibrant market; digital product sales rose 42.6%
- Board of Directors does not recommend any final dividend for the year

China-Hongkong Photo Products Holdings Limited (the "Group") today announced that its consolidated turnover for the year ended 31 March 2017 was HK\$853 million, a decrease of 3.8% compared to the HK\$887 million reported in the previous year. The Board of Directors does not recommend any final dividend for the year.

"The year under review saw more of the same from the Hong Kong retail market, which was characterised by low consumer confidence and weak spending on perceived non-essentials. This inevitably impacted the Group's turnover for the year," said Dr Dennis Sun, Chairman of China-Hongkong Photo. "However, there are many niche areas for the Group that remain strong. For example, we are seeing firm demand from professional photographers and photography enthusiasts for our advanced FUJIFILM equipment, and our photofinishing and technical services segment achieved very encouraging results with double-digit growth in several ranges of services during the year.

"We have a three-year development plan in place that will help us identify the core strengths, growth areas and priorities of the Group, and enable us to address cost pressures promptly and decisively," Dr Sun continued. "This will improve the Group's overall performance and open up more opportunities to achieve a wider online presence. We are confident that through careful diversification and quick responsiveness to market trends, we have a promising future ahead."

MERCHANDISING

Photographic Products

Performance for the Group's high-quality digital cameras remained strong. While instant product sales decreased by 28.1% during the year, digital product sales jumped 42.6%. This increase was driven by the launch of several new digital camera models during the year, along with lenses and other accessories.

Skincare Products

The Group's skincare business continued to perform at a moderate level. Since 2015, majority of the sales have been transacted online, and the skincare business website (www.astalift.com.hk) has attracted a solid customer base of loyal users. The Group's skincare products are also available via other online channels as well as the Group's FUJIFILM Studio in Causeway Bay.

Consumer Electronics Products & Household Appliances

Due to the on-going softness of the local economy, consumers have significantly moderated their shopping in the high-end and luxury retail segments. This has had a noticeable impact on the performance of the Group's YCY shops, including the AV Life and Life Digital brands. The Group is considering ways to adjust its operations to mitigate the effects of the weak economy in the medium term. Meanwhile, the wholesale segment has shown potential in view of the fact that its operational costs are relatively low. The Group intends to seek new strategies to increase its wholesale sales and boost market share.



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SERVICING

Photofinishing and Technical Services

The photofinishing and technical services segment saw improved performance, reporting an overall sales increase of 6.9% over the previous year. The segment recorded strong sales growth in a number of popular services: The ID photo service improved by 15.6%, the document solution service rose by 13.7%, the online photo output service was up by 23.0% and the personalized image gift service increased by 9.6%. In addition, the total number of prints developed online rose by 18.4% to a new high of 5.5 million. The Group's highly successful Year Album service also continued to draw customers, leading to a 23.8% increase in Fotobook sales compared to the previous year. These results were indicative of the Group's success in identifying niche markets and tailoring high-quality, high-value services for them.

As at 31 March 2017, the Group was operating 66 photofinishing stores under the Fotomax brand across Hong Kong. There were another two stores closed for relocation and will be reopened in 2017/2018, in areas with lower rentals or more advantageous locations.

Professional Audio-Visual Advisory and Custom Design and Installation Services

The Group has been strengthening this segment's sales and marketing team with the aim of expanding its profile among potential clients for video-conferencing installation projects and related maintenance. It is also adopting a special focus on property developers to supply high-tech, intelligent systems for estates, and exploring becoming an accredited government supplier. In the longer term, the Group is seeking ways to leverage China's 'One Belt, One Road' initiative to expand its customer base into China.

BRAND MANAGEMENT

The Group benefited from the launch of a number of new FUJIFILM digital cameras and accessories during the year, which generated strong sales among camera enthusiasts. The GFX 50S, X-T20 and X-T2 models all received strong media coverage. The latest FUJIFILM camera range also earned high-profile international awards from respected international photography magazines, helping boost sales in Hong Kong.

The Group promoted its instax cameras by offering a range of new products that includes trendy or whimsical frame designs, famous cartoon characters and monochrome film.

The product range for the Group's ASTALIFT beauty series, manufactured by FUJIFILM Beauty and sold mainly online in Hong Kong, continued to grow during the year and received heavy promotion through different online social media platforms.

The Group's AV Life shops continued to offer incentives and promotions to drive consumer spending, especially by encouraging consumers to upgrade their existing models of certain products.

Fotomax held a significant brand promotion by launching a Year Album featuring a new cover and inside page design as well as added functions designed to enhance the user experience. The Group promoted it widely under the themes of 'family' and 'travel', placing advertorials in leading newspapers and magazines. The Group also once again took part in the annual BB Expo and Wedding Expo to promote the Year Album and related gift imaging items.



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OUTLOOK

Commenting on the Group's future prospects, Dr Sun said, "In the coming year, we will vigorously promote the added value of our digital camera range in an effort to capture the interest of serious photographers. We also intend to place greater focus on higher-margin products and services such as our mobile print, ID photo and personalized image gifts services. In addition, Fotomax will enable all of its shop kiosks to receive image files directly from mobile phones.

"Fotomax will purchase the new UK-made 'Emagination' system, which will help expand Fotomax's product range for personalized gifts and enable it to produce these items using its own equipment. Emagination offers advanced technology solutions that give customers the ability to mix and match multiple templates to create highly unique, personalized gifts, while making the entire process even more fun. Although the primary push for this service will be to retail customers, we also intend to devote resources to locating potential corporate customers. We will also be exploring the possibilities of exporting personalized items and gifts to China.

"Our Professional AV Advisory and Custom Design & Installation Services segment appears on course to achieve a satisfactory level of incremental sales in the next few years," Dr Sun continued. "To keep momentum, we are planning to expand the range of products currently on offer by acquiring dealership rights for other well-known brands. In particular, we will be aiming to source global products that have not yet been introduced to Hong Kong but which have great potential in the market. We believe this strategy will help position us as an innovative, cutting-edge business, and we plan to reinforce this image through targeted marketing promotions and demonstrations that should attract a wider customer base.

"With clear and rational development plans in place for each of our major business segments, we are well positioned to face the year ahead and begin building a strategic position that will take us forward for many more years to come," he concluded.

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 via the brand name "ASTALIFT". The Group currently operates an extensive photo-finishing network under the "Fotomax" name in Hong Kong. From August 2013, the Group has expanded 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 and custom design and installation services. In August 2015, the Group acquired a 49% stake in the Hong Kong operations of kikki.K, an international retail chain that sells premium Scandinavian-designed stationery, gifts and homeware products.

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

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