



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)

CHKP

Press Release

26<sup>th</sup> June 2014

## CHINA-HONGKONG PHOTO PRODUCTS HOLDINGS LIMITED ANNOUNCES ANNUAL RESULTS

- Sales of instant products increase by 13.1%
- Sales of digital products rise 3.2%
- The new business venture contributes 43.4% of the total turnover
- Board of Directors recommends final dividend of HK1 cent and final special dividend of HK1 cent per ordinary share

China-Hongkong Photo Products Holdings Limited (the “Group”) today announced that consolidated turnover for the year ended 31 March 2014 was HK\$862 million, representing significant incremental growth that was attributed to new revenue from the consumer electronics and household appliances business. Net profit attributable to owners amounted to HK\$15 million. Basic earnings per share was HK1.3 cents. The Board of Directors has proposed a final dividend of HK1 cent and a final special dividend of HK1 cent per ordinary share.

“The year 2013/2014 was another milestone for the Group,” said Dr. Dennis Sun, Chairman of China-Hongkong Photo. “In addition to nurturing steady growth among our established businesses, we took a big step forward by bringing a new venture to the Group, which has created opportunities and helped us achieve valuable synergies through the restructuring of some of our existing business models.

“Our new ‘shop-in-shop’ concept, for example, has not only reduced pressure from high rent and staffing costs, but also encouraged customers to engage in cross-over shopping,” Dr. Sun continued. “We believe the success of this new business model will help the Group move closer to its vision of providing diversified products and services to its customers in an efficient and cost-effective manner.”

### MERCHANDISING

#### Photographic Products

The Group announced that sales of instant products remained strong throughout the year, growing 13.1% over the previous year. The increase was attributed to the introduction of new, highly sought-after instant camera models with attractive advanced functions. Digital product sales also rose, increasing 3.2% year on year. Growth was credited to successful marketing initiatives, product launches of new professional digital camera models and the popularity of the FUJIFILM’s interchangeable lens system.

#### Skincare Products

The Group’s range of skincare products faced difficult market conditions and stiff competition in 2014, leading to a decrease in turnover of 8.6%. However, it still achieved positive sales growth of 4% for the segment’s best-selling item, Jelly Aquarysta. During the year, the Group also introduced a new product line, Lunamer, which is targeted at younger customers. Lunamer contributed an encouraging 4% of the Group’s total skincare products sales.

#### Consumer Electronics Products & Household Appliances

Consumer electronics products and household appliances cover the range of items sold under the Group’s retail brands of AV Life, Life Electric and Life Digital. As at 31 March 2014, the Group operated 13 retail outlets across Hong Kong, located mainly in prime, upscale locations with high foot traffic. In the eight months from the acquisition of certain business assets from YCY Holding Limited and its subsidiaries, and Galerien und PartnerPlus Limited to the end of the current fiscal year, retail sales for the segment performed respectably, contributing 19.5% of the Group’s overall turnover.



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The segment's wholesale business also performed well, especially after the acquisition of the distribution rights to wholesale large-sized television sets from Samsung. Overall, wholesale for the segment accounted for 21.7% of the total turnover of the Group for the year.

## SERVICING

### Photofinishing and Technical Services

Despite an overall downturn, certain specialist areas within this segment experienced encouraging growth. The Group's Imaging Gift service enjoyed strong sales of 27.3% over last year, as paper products and other gift items continued to find a ready market. In addition, the Group's online business enjoyed strong growth of 32.9%. Sales came primarily from its successful online photo output service and new online DIY service for imaging products.

### Custom Design and Installation Services

The Group's custom design and installation services provide audio-visual project design and installation for both non-commercial organisations and commercial organisations. This new business was still establishing itself during the period under review, contributing 2.2% to the Group's total turnover for the year.

## BRAND MANAGEMENT

The Group continued to organise a creative range of events and activities to promote its instant cameras, and rolled out new instant cameras and related promotional packages during the year. The Group also introduced a number of important new FUJIFILM digital camera models. Many of the Group's FUJIFILM cameras and lenses achieved significant sales boosts after winning prestigious awards.

The Group's FUJIFILM STUDIO continued to act as an important promotional tool for boosting camera sales, by providing photography lovers with opportunities to learn more about photo-taking and how to make the most of their FUJIFILM cameras through various seminars and competitions.

For skincare products, the Group spent considerable effort building its beauty brand – ASTALIFT, in order to keep perception of the brand and its products at the cutting edge of the industry. The Group welcomed TV actress Nancy Wu (胡定欣) as its Hong Kong regional celebrity for ASTALIFT and beauty product sales were given a further boost by a Jessica Code Excellence Award 2013, the "Excellence in Intake Collagen Award".

During the year, the Group also focused on raising the profiles of the brand names under its new business venture, boosting sales through promotional campaigns and special offers. The Group's AV Life brand is a market leader for large-sized TVs, and the Group reinforced this distinctive edge by regularly placing numerous advertisements.

The Fotomax website was revamped in 2013 and given a soft launch in October, followed by extensive promotional activities, including newspaper and magazine print ads, a web banner on Yahoo.com, and TV commercials on TVB.com and Touch Media.

## OUTLOOK

Commenting on the Group's future prospects, Dr Sun said, "The Group plans to further enhance the business' brand image over the coming years. This will involve giving the shops a facelift to project a more elegant and sophisticated image, and adding a number of professional, specialised AV products to the product mix. We will also carry out intensive staff training in areas such as sales techniques and product knowledge to ensure a highly polished and professional workforce.



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“Elsewhere, we are looking to extend our current custom design and installation services (e.g. video conference system installation) into mainland China, which is a potentially huge market for the business. To this end, we will be setting up a new, wholly-owned subsidiary of the Group in Shanghai as a liaison office.

“The Group is also in the process of setting up a new business in selling digital wide-format printers, which are large-scale printers typically used to print banners, posters and general signage. We intend to launch the business in both Hong Kong and mainland China. We believe that digital wide-format printing represents an important technology with significant potential for the future.

“For Fotomax, we have already relocated most of our shops to secondary locations with lower rents. In April, Fotomax and Life Digital collaborated to open a new joint concept store in Yuen Long. This new model is helping improve our position in the leasing market, as the shop combines Fotomax’s traditional services with Life Digital’s trendy digital gadgets to bring in new customers. Fotomax has also joined Fuji Xerox and a famous publisher to provide an on-demand printing service for the textbook and exercise book market. In addition, we are now working on a mobile version of fotomax.com that should be available in the third quarter of 2014. This, together with Fotomax’s Easy Print Mobile Apps, will give our customers a convenient platform to order imaging services via mobile phones or tablets, with no significant overheads for the Group.”

#### **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. In August 2013, the Group acquired certain business assets from YCY Holdings Limited and its subsidiaries, and Galerien und PartnerPlus Limited, expanding its business to the sales of consumer electronics products and household electrical appliances under the names of “AV Life”, “Life Electric” and “Life Digital” as well as the provision of professional audio-visual advisory and custom design and installation services.

-- End --

The full text of this and other Group announcements can be accessed through the Internet at [www.chinahkphoto.com.hk](http://www.chinahkphoto.com.hk).

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