



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

25th November 2015

CHINA-HONGKONG PHOTO ANNOUNCES INTERIM RESULTS

- Consolidated revenue decreased by 16.3%
- Group recorded loss of HK\$8 million for the current period
- The Board of Directors does not recommend any interim dividend

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 2015. During the period under review, the Group generated consolidated turnover of HK\$436 million, a decrease of 16.3% compared to the HK\$521 million recorded during the same period last year.

“The Group was impacted by external factors such as the economic downturn and weaker consumer confidence, which resulted in less spending,” said Dr Dennis Sun, Chairman of China-Hongkong Photo. “High recurring business costs also continue to be an issue. However, we have been quick to adjust our strategies in light of shifting market realities. We will continue to implement a range of initiatives promoting our products and services, and we remain highly proactive in exploring new opportunities and business directions. A newly business set up with kikki.K, is one of these ventures that we believe will help reinforce and build our profile.”

MERCHANDISING

Photographic Products

A sluggish retail market saw the Group’s year-on-year sales of instant products fall by 18.6% and sales of digital products fall by 23.6%. The Group’s dealers, faced with weakened consumer sentiment, are proceeding cautiously and reducing their order volumes for digital products. The significant decline in Mainland tourists entering Hong Kong in recent months has also impacted sales, while the on-going depreciation of the Japanese yen and favourable exchange rate have drawn many Mainland tourists to Japan to purchase cameras. The Group will closely monitor the market situation and take appropriate action.

Skincare Products

The Group continued to streamline its skincare business away from a higher-cost brick-and-mortar model by exploring new sales and marketing channels to consolidate its niche in Hong Kong. The Group cited progress in three key areas: introducing its skincare products for use in facial treatments at influential beauty houses and beauty treatment centres; working to feature products in popular promotional programmes of leading banks and negotiating corporate sales to large enterprises in Hong Kong. These initiatives are still in their early phases and it is believed that they will gradually help the skincare business achieve new revenue streams.



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Consumer Electronic Products and Household Appliances

Televisions were the highest-selling products among the wide range of consumer electronic products and household electrical appliances sold in Group's stores, contributing 55.8% of the segment's total turnover. Although generally soft consumer sentiment impacted the segment during the first six months of the financial year, the Group believes the Government's policy to increase the number of new public housing estates in the next decade offers strong potential for higher sales.

SERVICING

Photofinishing and Technical Services

China-Hongkong Photo's photofinishing and technical services segment performed well during the period under review. Total sales for the online business jumped 73% year-on-year as a direct result of the successful Fotomax website revamp, which created growth across all aspects of the Group's online offerings. The Group cited as an example prints made from internet orders, which totalled 2.1 million over the first six months, an increase of 20.8% compared with the same period last year.

Custom Design and Installation Service

The Group's custom design and installation service has gained a favourable reputation in the industry since its launch. It won several important projects during the period under review, including a large project for the design, supply and installation of an AV system in Manulife Tower, a grade A building in Kwun Tong.

BRAND MANAGEMENT

The Group was again highly active promoting the latest FUJIFILM cameras and camera accessories in the first half of the financial year. Its camera models were also once again successful in prestigious international awards programmes.

The imaging business performed well during the period under review, a trend that is expected to continue. The Group continues to utilise group buying and bulk buying strategies to attract less-frequent users of its services, especially during low seasons. Meanwhile its ID photo shooting service now makes up 36.8% of the imaging business after achieving year-on-year sales growth of 14.3%. The Group considered the service is proving popular because of Fotomax's ability to offer customers a comfortable, convenient environment as well as highly skilled photographers with professional equipment.

The Group's DIY gift items show good potential for the imaging business, especially with the development of a user-friendly online DIY tool that has been very effective in encouraging customers to order personalised items via the internet. Besides, the DocuXpress document solution service has grown steadily since its launch, developing a reputation for quality based on its use of advanced Fuji Xerox equipment.

To generate loyalty and raise public awareness of the products and services offered under its consumer electronic products and household appliances segment, the Group launched an AV Life New Membership Campaign in April 2015. It also rolled out a summer campaign in collaboration with Samsung.



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OUTLOOK

“Our business mix has changed significantly over the past few years, and some of our newer businesses are still establishing themselves or adapting to changing market conditions,” said Dr Sun. “We are very excited about our new stores opened through an associate with kikki.K, a premium stationery brand from Australia and a new self-service photo-printing machine, the FUJIFILM Wonder Print Station.

“We believe that in the medium and longer terms our prospects for steady growth are good, and that the fundamental strengths of our core businesses will help ensure that the recent downturn is only a temporary one.”

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 service. In August 2015, an associate of the Group has successfully opened new stores with kikki.K, a premium stationery brand from Australia, further expanding the Group’s business to selling of premium stationery.

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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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