



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 November 2016

CHINA-HONGKONG PHOTO ANNOUNCES INTERIM RESULTS

- Consolidated turnover decreased by 3%
- Group recorded a loss of HK\$19.8 million for the period under review
- Board of Directors does not recommend payment of an 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 2016. During the period under review, the Group generated consolidated turnover of HK\$423 million, a decrease of 3% compared to the HK\$436 million recorded during the same period last year.

“As is often the case, economic uncertainties first manifest themselves in the retail sector, and the Group experienced this first-hand during the period under review,” said Dr Dennis Sun, Chairman of China-Hongkong Photo. “However, we are working hard to mitigate the effects of the downturn. We are also exploring new strategies and ventures with promising futures. One prime example of this is the launch of an important collaboration with Hong Kong Disneyland Resort, which is expected to have synergistic effects for other areas of our business.”

MERCHANDISING

Photographic Products

The photographic products industry is largely affected by economic adversity. Despite poor retail sentiment in Hong Kong, the Group saw encouraging performance from its digital products. Over the first six months of the fiscal year, the Group’s newly launched digital products proved very attractive to serious users of photographic equipment, which helped drive a sales increase for this segment of 22.3% for the period under review. By contrast, sales of instant products decreased by 25.8%.

Skincare Products

The Group continues to operate this segment as an online business, which has significantly reduced costs. However, because the Hong Kong market for skincare and beauty products remains extremely competitive, the Group said its challenge is to maintain a strong level of awareness of its skincare range through appropriate levels of advertising and promotion with low administering cost.

Consumer Electronic Products and Household Appliances

Consumer sentiment for big-ticket electronic items, such as those typically sold in the Group’s outlets, remains weak. Nonetheless, the Group said the trend in Hong Kong toward very large television sets has brought many customers to its stores and helped establish the network as one of the city’s premium dealers in large TVs.



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During the period under review, the Group had to lower the prices of a number of popular consumer electronic products and household appliances sold at its stores in order to compete effectively. As a result, the segment saw a drop in total sales. Total sales volume of certain large size TVs increased, however, suggesting that the Group's AV Life store brand is building a solid and growing customer base, which could improve results with a recovery in the retail market.

SERVICING

Photofinishing and Technical Services

Despite the challenging retail environment, the Group's photofinishing and technical services segment turned in a satisfactory performance. Total sales saw a year-on-year increase of 4%, which was primarily due to higher sales for the Group's ID photo, document solution and personalised image gift services, along with modest increases in sales of albums and frames as well as batteries.

Custom Design and Installation Services

Although this segment is still in its development phase, the Group sees great potential for advanced, custom-designed visual and audio equipment and programming in both the household and business sectors. The Group expects that its successes and experiences to date will lead to other significant projects in the years ahead.

BRAND MANAGEMENT

The first half of the year saw a number of important new camera models and accessories introduced into the FUJIFILM range, which the Group marketed vigorously. The Group also launched the brand-new FUJIFILM instax SHARE SP-2 instant wireless printer in mid-July.

Also in July the Group finalised a long-term alliance for FUJIFILM with Hong Kong Disneyland Resort, where FUJIFILM is now the Resort's official imaging sponsor. Under the alliance, all photographic equipment for Hong Kong Disneyland Resort is provided by FUJIFILM. In addition, FUJIFILM instax products with Disney cartoon characters are available for sale in the resort area.

During the period under review, the Group continued to leverage the high profile of its photographic products and the prestigious awards they have collected to boost sales.

Fotomax's popular Year Album has gone from strength to strength since it was launched in late 2014. Year Album sales rose by 79.3% against the same period last year.

The Group also kept awareness of its AV Life brand high with a series of promotional campaigns. The AV Life outlet in the prominent Causeway Bay department store SOGO continues to serve as a high-end showcase for the brand's products.



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OUTLOOK

“With the retail market in Hong Kong depressed,” said Dr Sun, “we are in the process of implementing a number of measures designed to reduce expenditures and broaden the Group’s sources of income. These include new projects that are currently in the discussion phase and which we are optimistic will help bring new prosperity in the medium term. Our recent agreement with Hong Kong Disneyland is a new attempt to expand our business scope, and the management is confident that the move will help strengthen the Group’s reputation and increase revenue.”

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 as well as Galerien und PartnerPlus Limited. This 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 online at www.chinahkphoto.com.hk.

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