

**CHINA-HONGKONG PHOTO PRODUCTS HOLDINGS LIMITED  
ANNOUNCES INTERIM RESULTS**

- In a difficult economic environment, the Group's consolidated turnover remained steady at HK\$476 million, down just 0.6% compared to the same period last year
- Results varied across different business segments, with sales of luxury photographic products decreasing whilst revenue from photofinishing services and wholesales of consumer electronic products and household appliances grew
- The Group's 65% investment to provide imaging operation services at Hong Kong Disneyland Resort has provided a new revenue source since the enterprise launched on 1 July 2019
- Savings in advertising and marketing expenses and a reduction in renminbi exchange loss improved the Group's results
- Net loss attributable to shareholders amounted to HK\$2.0 million, an improvement of HK\$5.7 million compared to the same period last year
- The Board of Directors does not recommend payment of any interim dividend

China-Hongkong Photo Products Holdings Limited ("China-Hongkong Photo" or the "Group", stock code: 1123) today announced that its consolidated turnover for the six months ended 30 September 2019 was HK\$476 million, a slight decrease of 0.6% compared to the HK\$479 million recorded in the same period last year. The Group's net loss attributable to shareholders during this period was HK\$2.0 million.

"The on-going Sino-US trade dispute, equity market turbulence and renminbi volatility continued to cast a long shadow over consumer sentiment and actual spending during the period under review," said Dr. Dennis Sun, Chairman of China-Hongkong Photo. "The Group's photographic products segment felt this impact in particular since non-essential and luxury items are amongst the first to be hit in a weakening economy as customers spend more cautiously.

"Since July, social tensions in Hong Kong have presented another challenge for retail operations across the city, dampening sales of our photographic products as well as consumer electronic products and household appliances. Despite this, our efforts in recent years to develop our wholesale businesses and online retail platforms delivered noticeable results this reporting period and compensated significantly for the loss of retail store sales. Our new imaging operation services at Hong Kong Disneyland Resort also generated additional revenue, helping consolidated revenue hold steady.

"Elsewhere, we continued to maximise our returns by constantly analysing the sales performances of our retail stores as well as our wholesale and online platforms, closing underperforming stores upon lease expiry and allocating more resources to the development of higher-margin areas," Dr. Sun continued. "We were also careful about spending on controllable costs like advertising and marketing and we took measures to reduce our renminbi deposit holdings and reduce exchange loss, all of which helped improve the Group's bottom line."

## **MERCHANDISING**

### **Photographic Products**

Overall, digital camera and lens sales fell 16.5% compared to the same six-month period last year. The social unrest in Hong Kong had an unmistakable effect; whilst overall sales fell by just 5.9% year on year between April and June 2019, the subsequent three months saw a total comparative decline of 32.6% as retail challenges in the city escalated.

Sales of instant cameras and film decreased 16.2% year on year, although this was milder than the drop reported for the same period in 2018. Parallel-imported products remained a drag on the market. The Group also offered fewer exclusively licensed instant film products than it did from April through September 2018; in response, it adjusted the pricing of its instant film, a move that helped moderate the year-on-year decline in sales.



### **Consumer Electronic Products and Household Appliances**

During the period under review, the Group closed one underperforming store, further reducing its total number of stores to 13 as at 30 September 2019 (compared to 14 as at 30 September 2018 and 16 as at 31 March 2018). Overall sales dropped by 9.2% compared with the same period last year, while like-for-like store sales increased 1.5%.

The Group's wholesale business arms for consumer electronic products and household appliances enjoyed a successful half-year with revenue soaring 47.8% over the same period last year. Since July 2019, the Group has collaborated with online retail platform Price.com to market several of its products. In the same month, the Group launched an e-commerce platform designed to leverage new shopping trends and establish a stronger connection between the Group's online and offline platforms.

### **B-to-B Commercial and Professional Audio and Visual ("AV") Products**

During the reporting period, this segment of the Group's business continued to build a reputation in Hong Kong as a first-rate provider of high-quality AV professional products and services while also achieving sales growth of 5.4%. Key sales items remained projectors, monitors and professional TVs. Changes in trends and technologies saw projector sales dip by 1.1% year on year as many functions are increasingly being replaced by other advanced LED display technologies. However, the Group continued to grow sales of other products such as hospitality TVs, which saw an impressive 95.3% sales increase compared to the same period last year as the hotel sector rushes to embrace this innovation.

### **Skincare Products**

The general downturn in consumer sentiment affected performance in this highly competitive sector, with sales dropping 8.2% year on year. Between April and September 2019, the Group introduced upgraded versions of D-UV Clear White Solution SPF50+ PA++++ sunblock and White Essence Infill, both of which were named the "No. 1 2019 Grand Prix Whitening Technology" by MAQUIA, a famous Japanese beauty and fashion magazine.

## **SERVICING**

### **Photofinishing and Imaging Services**

Fotomax's performance for the reporting period was satisfactory, particularly given how the social disruptions of July onwards impacted shopping patterns in Hong Kong and occasionally forced some stores to close early. The Group recorded sales growth of 3.4% for this segment compared with the same period last year, whilst same-store sales increased 7.5%. Demand for the Group's ID photo service and its one-stop document solution, DocuXpress, continued to grow, pushing up sales by 15.7% and 17.1%, respectively, against April-September 2018. The Group gradually continued to streamline its store network by closing underperforming locations, going from 66 Fotomax stores as at 30 September 2018 to 58 as at 30 September 2019.

On 1 July 2019, the Group took on a new role providing imaging operation services at Hong Kong Disneyland Resort, a business that has generated encouraging turnover since its launch. The Group anticipates higher return from this new investment once conditions stabilise in Hong Kong and tourists begin returning to the city in numbers.

### **Professional AV Advisory and Custom Design and Installation Services**

Although the performance of this segment slowed compared to the rapid growth of previous years, the Group's Professional AV Advisory and Custom Design and Installation Services still achieved solid 8.5% year-on-year growth in sales. The economic downturn that began in July did not affect this segment as most of its turnover came from projects booked during the previous year.

## **OUTLOOK**

Regarding the Group's prospects, Dr. Sun commented, "As of yet, there is no clear resolution on the horizon for the unrest that has beset Hong Kong over the past few months. The Group anticipates that the consumer market will continue to slow as long as the current political and social environments persist."



“Therefore, it is vital that we demonstrate our ability to adapt to changing consumer trends and spending patterns so that we can maintain our competitiveness in these difficult times.

“The Group expects to see further downturns in sales of luxury cameras and high-end electrical appliances before the situation stabilises,” he continued. “On the other hand, we anticipate that sales of consumer goods, like skincare products and essential home appliances, and services, such as ID photofinishing and document solution, will hold up well and remain stable even in turbulent economic conditions.

“Within the high-end photographic segment, we believe that the latest FUJIFILM large-format sensor cameras have arrived at a good time to stimulate sales, as demand from professional photographers for this type of camera is increasing. In line with our emphasis on customer-centricity and service excellence, we intend to focus on improving maintenance and after-sales service for FUJIFILM customers. We have already enhanced our service offerings by introducing a WhatsApp service for customers enquiring about maintenance support.

“The economic downturn in Hong Kong is expected to result in many companies reducing capital expenditure investments and tightening budgets across the board. The flip side of lower capital expenditures is that more companies will want to maintain their existing equipment over a longer period. Therefore, the Group plans to focus on providing our staff in the commercial and professional AV products segment as well as its professional AV advisory and custom design and installation services segment with more professional training, whilst at the same time further enhancing our after-sales service competency as a way of increasing the volume of the maintenance service contracts we undertake.

“New AV technology yields high profit margins and is typically in demand amongst consumers. As such, it will always be an important part of the Group’s growth plans. Looking ahead, we will continue to update the AV technology offered in our stores and roll out new products as soon as they become available in order to capture the first market wave.

“Across all our retail business segments, we will negotiate hard with landlords to gain appropriate concessions that reflect the reality of the current retail environment in Hong Kong. This will involve seeking rental concessions and subsidies as a way of managing business in a difficult time. We expect to weather the current storm and benefit from our many complementary business interests once the Hong Kong retail environment stabilises,” Dr. Sun concluded.

## **ABOUT CHINA-HONGKONG PHOTO**

China-Hongkong Photo Products Holdings Limited (stock code: 1123) has a long-established business partnership with FUJIFILM Japan, operating as the sole authorised distributor of FUJIFILM photography products in Hong Kong and Macau since 1968 and ASTALIFT skincare products in Hong Kong since 2010. The Group also operates retail businesses in Hong Kong, providing photofinishing and imaging solutions and products through its Fotomax retail chain and selling consumer electronics products and household electrical appliances under its AV Life, Life Digital and Wai Ming Electrical brand names. The Group further leverages its expertise in audio and visual (AV) products by delivering professional products to wholesalers and providing professional AV advisory, custom design and installation services to customers. 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. In July 2019, the Group commenced providing imaging operation services at a Hong Kong theme park through a 65% investment.

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

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