



**Press Release**

**26<sup>th</sup> June 2008**

## **CHINA-HONGKONG PHOTO ANNOUNCES ANNUAL RESULTS**

- Instant products record strong growth of 63%
- Strong performance from FotoPress printing services
- The Board of Directors recommends a final dividend of HK0.9 cents and a final special dividend of HK4.3 cents per share

China-Hongkong Photo Products Holdings Limited today announced that consolidated turnover for the financial year ended 31 March 2008 was HK\$323 million compared to HK\$827 million last year. During this period, the Group was still realising its strategy following the termination of its subsidiaries' distribution rights to Fujifilm Japan, contributing to a net profit attributable to shareholders of HK\$46 million, a decrease of 78.8%. Earnings per share were HK3.99 cents. The Board of Directors has proposed a final dividend of HK0.9 cents and a final special dividend of HK4.3 cents per ordinary share (2006/07 final dividend: HK5.2 cents per ordinary share).

“Entering into our 40<sup>th</sup> year of operation, the Group saw exceptional growth in demand for digital imaging products,” said Dr Dennis Sun, Chairman of China-Hong Kong Photo. “Advancing into 2008, we envisage a promising sales growth with the Olympic Games in Beijing and with Hong Kong continuing to play a vital role as a bridge between China and the global marketplace,” he said.

“Unlike many of our competitors, the Group has a long history in the industry and is keenly responsive to changes in the market. We have been pioneers in the imaging market for many years and have worked to shape, rather than respond to, changing market dynamics. Against a background of keen competition, the Group has kept abreast of changes and marketing developments in the imaging field.”

“As a key plank of our corporate strategy, the Group will continue to broaden its retail programmes, placing strong emphasis on digital imaging services. An increased focus on training programmes for staff will improve the Group's front-line technological capabilities. Through these initiatives, we expect to see sustainable business growth in the future,” Dr. Sun added.

### **Merchandising**

Digital cameras remain the Group's strongest business product due to the sophistication in camera design, electronic functioning and superior image quality. The Group is pleased to report that the sales of digital cameras grew by 17.4% in the year under review.



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The two most popular digital camera models during the year were the FinePix F50fd and the FinePix Z10fd. Equipped with the popular “face detection” technology which optimises focus and exposure, the FinePix F50fd easily became the year’s market winner. The superior functions of these products included ultra high sensitivity, quick shooting response features and dual memory card (xD and SD) capabilities.

As well, the Group continued to enjoy strong growth of 63.3% in instant products. This is partly the result of a significant drop in the number of competitors and partly due to the fact that a large number of consumers are still keen to use traditional photo-printing.

### **Photofinishing And Technical Services**

Total revenue amounted to \$129 million which was a decrease of 3.7% compared with the same period last year. However, the Group is pleased to report that total sales from the FotoPress printing service increased by 75% compared with the same period last year. As well, total sales for Fun2Print paper printing products increased by 47% compared with same period.

The market trend has continued to embrace digital printing products over film which has seen Fotomax shift its emphasis to digital sales. The Group expects to see continued growth of sales in digital printing over the next year, reflecting the overall market transition from film to digital printing.

In the year under review, the total number of online prints was 2.07 million, recording growth of 35% when compared with same period last year. As increasing numbers of customers adopt the online platform, the Group is very optimistic that this trend will continue in coming years.

Looking ahead to 2009, the Group aims to further strengthen Fotomax in order to make it the preferred, leading store for total imaging solutions in terms of convenience, quality, customer service and versatility across Hong Kong.

### **Brand Management**

The Group’s branding management team has adopted a number of integrated strategies aimed at boosting awareness of the FujiFilm Brand and reinforcing Fotomax’s customer loyalty. In the year under review, much was accomplished through the Group’s strategic promotional campaigns and activities. New popular and fashionable concepts were introduced into the Group’s public relations, advertising and promotional activities, targeting different customer segments.

In the fall of 2007, a major campaign was launched to promote the FinePix Z10fd, coupled with a photographic competition which was jointly undertaken with *AMY Magazine*. Recognition of our branding efforts was attained during the year under review when Fujifilm



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was recognised as a favourite brand in the “Touch Brands” election in 2007 organised by *East Touch* magazine, a result determined by the magazine’s readers.

Fotomax plays a major role in engaging with customers and the retail stores are key touchpoints for building and retaining customer loyalty, reinforcing Fotomax’ position as a leader in the photofinishing retail business. In the year under review, the group celebrated the 25<sup>th</sup> Anniversary of Fotomax and capitalised on this milestone to conduct a series of promotional activities which included television commercials, gift albums, redemption coupons and an anniversary advertorial in *East Week* magazine’s HKSAR 10<sup>th</sup> Anniversary Special Edition which had a print run of 336,000.

### **Outlook**

Dr. Sun said: “Hong Kong’s economic outlook remained positive during the year under review as we observed positive development and growth in China throughout the year. The region continues to witness a growing number of tourists from Mainland China which is a very encouraging sign for the photographic imaging business.

“The Group will closely monitor advances in technology and remains committed to keeping abreast of popular lifestyle applications of new media products. Longer term, the Group is investigating sound investment opportunities in different business areas and we will continue to explore new imaging products and services to foster the expansion of our business.”

### **About China-Hongkong Photo**

China-Hongkong Photo Products Holdings Limited (Stock Code: 1123) has a solid business partnership with Fujifilm Japan as the sole authorised distributor of Fujifilm products in Hong Kong and Macau since 1968. The Group currently operates an extensive photofinishing network in the name of “Fotomax” in Hong Kong.

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

Issued by: China-HongKong Photo Products Holdings Ltd  
Eileen Ng (Tel: 2408-8663, Fax: 2409-0294)

Through: Golin/Harris International Limited