



Press Release

4th December 2008

CHINA-HONGKONG PHOTO ANNOUNCES INTERIM RESULTS

- Consolidated turnover increased by 9.4% to HK\$176 million and a net loss of HK\$12.83 million due to the decline of the corporate investment portfolio
- Steady growth in instant products, Fun2Print and FotoPress businesses leads to reasonable operating profit
- Interim dividend of HK1 cent and interim special dividend of HK1 cent per share declared

China-Hongkong Photo Products Holdings Limited (“China-Hongkong Photo” or the “Group”, HKSE Stock Code: 1123) today announced its results for the six months ended 30 September 2008. The Group’s consolidated turnover increased by 9.4% to HK\$176 million. Despite this, in common with many global businesses, the Group suffered a net loss of HK\$12.83 million due to its low-risk investment portfolio that was hard-hit by the recent financial crisis. Losses per share were HK1.09 cents, with an interim dividend of HK1 cent and an interim special dividend of HK1 cent per share declared.

“While cognizant of the economic challenges ahead amidst this global crisis, we remain cautiously positive when looking ahead strategically. We have focused attention on seeking new deals and new business partners in digital imaging, electronic communications, computer design or printing. We constantly review our internal business strategies and seek to improve our strategic marketing activities in order to be positioned to respond promptly to positive market indicators and to expand potential market segments,” said Dr Dennis Sun, Chairman of China-Hongkong Photo.

MERCHANDISING:

During the period under review, the sales of digital products remain one of the Group’s strongest revenue-earning areas. The sales of digital products grew by 7.9% compared to the same period last year. Increasing numbers of customers are shifting their mode of consumption in image output from soft copies to hard copies. In addition, the sale of instant products has seen a dramatic increase of 128.5% compared to the same period last year.

However, the market for traditional imaging products has continued to shrink which has seen the sales of colour film drop by 33.8% compared to same period last year.

To strengthen market share and to further boost demand, the Group has taken significant steps to upgrade the Fuji Digital Imaging (FDi) service. In addition, the Group is constantly upgrading its imaging software, improving its frontline staff service and devising multi-faceted marketing strategies to sustain its performance in the digital imaging business.

PHOTOFINISHING AND TECHNICAL SERVICES:

The overall performance of Fotomax remains stable, with sales holding up well, recording a 3.5% increase compared with the same period last year.

To reduce costs and maintain its sustainability, the Group has terminated the operation of non-profitable shops upon lease expiry, which has seen the number of outlets decrease from 86 to 84. On the other hand, the Group has focused on expanding its popular digital kiosks. In the six-month period under review, the number of digital kiosks increased from 188 to 230 units, an increase of 22.3%.

Fotomax's key business remains its high-quality digital output services. Over 95% of print orders are requested from digital files. Another strong source of revenue for Fotomax is the Fun2Print which includes paper items, gift items and other album services that are welcomed by consumers. The sales of Fun2Print in the six months under review had increased by 57% compared with the previous year. In addition, sales of FotoBook saw an increase of 439.7% compared with the same period last year.

In the period under review, Fotomax also established a new website linked with a membership program.

BRAND MANAGEMENT:

The Group holds firmly to the view that at times of economic turmoil, greater discipline as well as extra effort are required to reinforce long-term customer loyalty and to identify and open up new market segments.

To reinforce the Group's core values, its branding strategies have led to the development of thematic campaigns aimed at encouraging digital consumption based on cultural values. This included enhancing personalized imaging such as the application of Cool Print, new easy-to-order software, as well as new membership programs.

The Group's digital products continued to rank high amongst world-class photographic technology. FinePix S100FS won the European TIPA (The Technical Image Press Association) Best Superzoom D-Camera Award for 2008 and the EISA (European Imaging and Sound Association) Super Zoom Camera Best Product Award for 2008-2009.

On the retail level, the Group believes that it is important to understand and anticipate the needs of its target consumers. A large majority of consumers enjoy Fotomax because of the successfully-branded Fun2Print and FotoPress products.

Fotomax launched the Hello Kitty and Cinnamoroll gift promotional packages which met with a very positive response from the marketplace. Related gift items including puzzles, creative posters, montage photos, playing cards, bookmarks and crystal glass stands.

OUTLOOK:

Dr Dennis said: "Although the Group has come through a very difficult half-year which has seen a downward spiral of global financial markets, we are pleased to have secured a reasonable profit during the period under review from the wholesales and retail businesses. With stimulus and support from Mainland China and other governments worldwide, we remain optimistic about business prospects and will continue to trust our vision in servicing the imaging industry. We shall continue to watch the global digital industry to identify and pursue new products and we look forward to potential new ventures for digital printing services."

About China-Hongkong Photo

China-Hongkong Photo Products Holdings Limited (Stock Code: 1123) has a solid business partnership with Fujifilm Japan as the sole authorized 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.

-- End --

Full text of this and other Group announcements can be accessed through the internet at www.chinahkphoto.com.hk.

Issued by: China-Hongkong Photo Products Holdings Ltd
Eileen Ng (Tel: 2408-8663, Fax: 2490-0294)

Through: Golin/Harris International Limited