



Press Release

25th June 2009

CHINA-HONGKONG PHOTO ANNOUNCES ANNUAL RESULTS

- Instant products record strong growth of more than 100%
- Strong Fotobook sales performance, up more than 370%
- The Board of Directors does not recommend any final dividend but recommends a final special dividend of HK2 cents per share

China-Hongkong Photo Products Holdings Limited today announced that consolidated turnover for the financial year ended 31 March 2009 was HK\$325 million compared to HK\$323 million last year, an increase of 0.6%. The net loss attributable to shareholders was HK\$42 million with the loss per share standing at HK3.63 cents. The Board of Directors has proposed a final special dividend of HK2 cents per share.

“The fiscal year 2008/2009 was one of immense challenge for Hong Kong and indeed, the world,” said Dr. Dennis Sun, Chairman of China-Hongkong Photo. “The world was shocked by the dramatic crash of the stock market in the latter part of 2008, and all sectors of life were hard hit by the financial downturn. The imaging industry could not avoid some fall-out from the negative impacts of the global contraction,” he said. “The Group has however faced the challenge with heads held high and has worked hard to remain true to the company’s vision and mission in this year of turmoil.”

“In the coming year, the Group will continue to strive to continue to deliver high quality service and will seek to benefit from more value-added products. I envisage that the Group will navigate safely through the financial crisis and that the company will progress to new heights,” Dr. Sun said.

“With a dedicated management team, we will remain focused on our key business strengths and follow the conventional wisdom of our forebears: ‘The most important thing during harsh times is to stay calm and adopt a ‘watchful’ mode’. With this in mind, I believe the Group will emerge a winner after the storm,” Dr. Sun added.

Merchandising

The Group recorded significant growth in the sales of instant products during the year under review and extended its market to include the industrial and domestic sectors. The accumulated sales of instant products increased by 103.8% compared to the previous year.

Digital cameras sales remained the highest income-grossing product. As in previous years, a number of new digital cameras were introduced into the market, including the 1.2million pixels FinePix F200 EXR which won the 2009 American DIMA Award for Innovative Digital Product. Another new product introduction during the year was the FinePix Z-series (Z30 and Z33) with a face detecting function and animation mode. These products contain superior functions including ultra high sensitivity, quick shooting response features and the dual memory cards (xD and SD). Among professional users, the digital SLR camera FinePix S5Pro proved to be the most popular.



In order to increase market share, the Group indicated it would aim to further expand promotional activities and the Fuji Digital Imaging (FDi) network. Staff training on digital products and technology remained critical to these expansion plans.

Photofinishing and Technical Services

Total revenue amounted to HK\$121 million, a decrease of 6% compared to the same period last year. Total sales of Fun2Print personalized imaging gifts increased by 49.2% compared with the same period last year, while total sales of FotoPress printing service increased by 17%.

Fotomax saw very strong demand for Fotobook with sales having increased by 372.8% compared with the previous year. In view of the success of Fotobook sales, further initiatives will be taken to offer Chinese versions of Fotobook software, and more pre-set layouts and artwork will be developed in the coming year.

Brand Management

In order to strengthen the Group's brand presence, a number of schemes were introduced to expand the FDi network and reach. The Group further promoted the FDi brand through joint promotional programs with the anti-virus software package NOD32 and the FDi outlets.

Promotional and advertising activities featuring brand identification which appealed to families and teenagers were undertaken. Direct sales into corporations added significantly to brand-building efforts and helped to foster customer loyalty.

The Group also developed joint promotional schemes with several partners during the year. Fotomax was appointed by the Hong Kong Post Office to provide a "Heartwarming Stamp" customized service to the public.

To optimize the effectiveness of Fotomax's extensive distribution network, Fotomax explored additional business opportunities with vendors to act as support centers for particular services, including a redemption service for Mars Foods Inc., Hong Kong and an import and export declaration service for Tradelink Electronic Commerce Ltd.

Popular young singer and DJ, Ricky Fan, was invited to participate in the Group's four-part series advertorial in targeted magazines during the year. This series not only promoted the Fun2print gift items, Fotobook, online printing and the membership program, but also placed a strong emphasis on the importance of printed digital photographs to share between relatives and friends and to preserve life's memorable moments.

Outlook

Dr. Sun said: "As digital technology continues to dominate the global market, digital products will continue to hold their own during the next decade. The Group will keep pace with the competitive marketplace and will continue to respond to changing consumer interests and tastes. I believe, therefore, that the products we offer will continue to benefit from this global trend and enjoy a niche place in the market."



CHINA-HONGKONG PHOTO PRODUCTS HOLDINGS LIMITED

中港照相器材集團有限公司

Looking to the later part of this year, we anticipate more promising sales as both China and the United States adopt new fiscal policies in an effort to stabilize the global economy and stimulate consumer confidence. I am optimistic that the Group will enjoy new market opportunities as the impact of the financial tsunami gradually diminishes and the stock market regains its lost energy.”

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”.

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