

## CHINA-HONGKONG PHOTO ANNOUNCES INTERIM RESULTS

- New skincare products “Fujifilm Beauty” launched in September
- Steady performance recorded for the period
- Interim special dividend of HK2 cents declared

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 2010. The Group recorded a net profit of HK\$5 million while experiencing a modest fall in turnover of 0.58%, from HK\$173 million to HK\$172 million. For the first half of 2010, earnings per share was HK0.45 cent.

“We are actively diversifying the Group’s business, so it gives us great pleasure to announce that in September 2010 we introduced a new skincare line, “Fujifilm Beauty”, to the Hong Kong market. That same month we also introduced “DocuXpress”, which bundles our previously independent range of document-related services into a single ‘one-stop’ solution package. Both of these enterprises demonstrate that China-Hongkong Photo is committed to promoting, improving and expanding our product range and service offerings to match the ever-changing demands of customers,” said Dr Dennis Sun, Chairman of China-Hongkong Photo.

### **MERCHANDISING**

The Group’s merchandise sales during the first half of 2010 were steady. Digital products in particular performed outstandingly, benefiting from the launch of several new products. The Group’s digital camera sales saw a 10.29% rise compared with the same period last year, a significant factor of which was the purchase of a large quantity of FinePix REAL 3D digital cameras by a noted manufacturer and distributor of 3D TVs for use in a major sales promotion.

Market demand for instant products, which remains very popular amongst young people, continued to be strong. However, due to a shortage of stock from the supplier, the Group experienced occasions during which it could not maintain enough stock to meet market demand. This led to a drop of around 10% in sales for instant products compared to the same period last year.

### **PHOTOFINISHING AND TECHNICAL SERVICES**

The period saw a relatively flat performance from the photofinishing and technical services business. Due to effective pricing strategies, revenue only fell by 0.46% although the total print quantity from photo developing and processing dropped by 12.1% to 24.7 million prints during the period under review. The Group continued to promote its Fun2Print gift products as ideal personalized gifts through new and appealing packaging designs, which resulted in a sales increase of 0.54% over the corresponding period last year. The Group also continued to install more of its convenient digital processing kiosks in Fotomax stores, with the average number of kiosks per store rising from 2.9 to 3.0 during the period.

The Group fully launched its DocuXpress service in September, which brings together a wide range of document-related services in a “one-stop” solution package covering copying, document output, fax, email, lamination, binding and scanning. The full launch of DocuXpress saw sales grow by 81.75% in September as compared to sales for a range of similar services offered in September 2009.

The Group continued to streamline its outlets during the period, closing two more stores that were underperforming. As of 30 September 2010, it was operating 79 stores, compared to 81 stores a year earlier.

### **SKINCARE PRODUCTS**

In September 2010, the Group introduced a series of new skincare products under the “Fujifilm Beauty” brand after being named as the exclusive agent in Hong Kong, the first overseas market outside Japan to carry the range. The Group’s supplier, Fujifilm Japan, has been successfully offering the Fujifilm Beauty line in Japan since 2006, generating strong sales and developing a loyal customer base.

“Fujifilm Beauty”, which leverages Fujifilm’s extensive research into anti-oxidation, collagen and nanotechnology, includes cleansers, cleaning oils, lotions, essences and creams that comprise a comprehensive skincare regimen covering cleansing, nourishing and protecting. “Fujifilm Beauty” also recently launched a beauty drink containing 10,000 mg of collagen, the highest amount of collagen in a beauty drink that is currently available in Hong Kong.

The Group opened its first flagship “Fujifilm Beauty” store in Central in September and is currently holding roadshows in popular shopping malls. It is also setting up online ordering facilities and making arrangements for customers to be able to pick up their purchases from any Fotomax shops.

### **BRAND MANAGEMENT**

The Group carried out a number of high-profile advertising campaigns in Hong Kong leveraging the multiple international awards won by FinePix cameras, which serve as important selling points in the local market. In August, the FinePix HS10 won the well-regarded European Imaging and Sound Association award for European Super Zoom Camera 2010-2011, and in April, two other Finepix products won prestigious Technical Image Press Association awards for 2010, with the FinePix REAL 3D System winning Best Imaging Innovation and the FinePix HS10 taking Best Superzoom Camera.

The Group also heavily promoted the DocuXpress service that launched in September across a range of media. With the cooperation of Fuji Xerox, the Group distributed more than 330,000 discount cards to students at over 400 schools across the territory to achieve further market penetration.

Besides, the Group executed a series of seasonal promotional activities to capture particular markets. Hello Kitty and Kuromi albums were featured in an Easter photo developing and processing promotion. “Toy Story 3” characters constituted a major summer promotion that led to a huge jump in sales of Disney gift items and gave a major boost to sales of the Group’s exclusive Disney “Toy Story 3” Instax Mini Films and “Toy Story 3” Fotobooks.

The Group's new skincare products were launched with great fanfare in September. Several local and regional celebrities as well as makeup artists attended the product launch event in August at a leading hotel in Hong Kong to share their tips on skincare and the benefits of using "Fujifilm Beauty" products.

## **OUTLOOK**

"Our strategy is to continue differentiating ourselves from competitors in terms of quality and convenience," said Dr Sun. "DocuXpress is a new revenue source with considerable potential, and the Group will be leveraging it to promote its Fotomax network as the largest and best one-stop document-related solution provider in Hong Kong. We also expect that the new skincare products will receive strong recognition by the market in the near future and contribute significant growth to the Group's overall performance."

"Meanwhile, we will continue to employ comprehensive measures to direct and develop our wholesale and retail businesses, especially for the new skincare products," he added. "Management is confident that these areas will enjoy positive results in the coming years."

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## **About China-Hongkong Photo**

China-Hongkong Photo Products Holdings Limited (Stock Code: 1123) has had 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 under the name "Fotomax" in Hong Kong.

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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