

China-Hongkong Photo Announces 2003 Profit of HK\$19 Million

- Total turnover of HK\$1,735 million
- Net profit attributable to shareholders of HK\$19 million
- Earnings per share of HK1.67 cents
- Proposed special dividend of HK1 cent per ordinary share

China-Hongkong Photo Products Holdings Limited (CHP) today (17 July 2003) announced its results for the year ended 31 March 2003. Turnover for the period was HK\$1,735 million (2002: HK\$1,531 million). Net profit attributable to shareholders was HK\$19 million (2002: HK\$53 million). The decline in the net profit was mainly due to fierce market competition and the slow recovery from the economic downturn. Earnings per share were HK1.67 cents, and the Board of Directors has proposed a special dividend of HK1 cent per ordinary share.

“Although we managed to grow our turnover, it has been a challenging year with a continuing downturn in the Hong Kong market and opportunities in China restricted by the slow pace of reform following its admission to WTO, fierce price competition and parallel imports. Sales have also been impacted by decreasing demand for traditional products in the wake of the digitisation trend,” said Dr. Dennis Sun, Chairman and Managing Director of China-Hongkong Photo. “However, I remain very optimistic about the long-term growth potential of the China market, and the opportunities for the photographic imaging business there. We have taken a number of significant steps during the year to ensure our future success in both the retail and wholesale markets in China.”

The imaging systems segment, which includes businesses related to photographic films, motion picture films, digital cameras, electronic imaging equipment and magnetic audiovisual media products, saw a slight decrease of 3%. This was due largely to growth in demand for digital imaging products and new imaging products such as Instax instant cameras, which helped to offset the drop in sales of traditional imaging products and the negative impact of parallel imports on the roll film business.

Digital camera sales increased dramatically, rising by 58% during the year. Although encouraged by this growth, the Group expects it to be some time before the expansion of digital sales offsets the continuing fall off in traditional products. Sales of instant film and cameras increased by 31%, supported by the well received Instax instant camera range.

Total sales for the photofinishing product segment, which includes photographic paper, chemicals and photo-finishing equipment decreased by 14%. The Fujifilm Digital Imaging (FDI) system has been well received by the market and its network expansion continues, although the initial steep growth has now levelled off. Currently, the FDI Frontier minilab series has been installed in more than 40 cities throughout China, Hong Kong and Macau. New and smaller Frontier models, such as the Frontier 330, which facilitate lower price entry for shop franchisees are most in demand. The growth of digitisation, however, has led to a decline in the use of paper and chemicals.

The Group has been assured that Fujifilm Japan will continue to develop and supply top quality minilabs within the Frontier system to support the competitive development and processing services business. Another new model, the Frontier 340, which represents a major technological breakthrough in processing speed while remaining easy-to-use and compact, has recently been specially designed for the Asian market.

In the information systems segment, turnover increased by 72% compared with the previous year. Graphic art products, a new product line awarded by Fujifilm Japan to the Group in May 2002, performed well. These products are an important revenue generator for the Information Systems segment of Fujifilm Japan and in less than a year have contributed HK\$121 million to the Group's revenues. They are expected to continue to provide significant growth. Sales of the digitised Fujifilm Computed Radiography product line doubled during the year under review. The Group has established a new subsidiary, Fuji Medical Products Limited to explore and plan the strategic development for the full line of medical products in Hong Kong, China and Macau.

The retail segment recorded a growth in turnover of 55%. In Hong Kong the Fotomax chain remained strong and sustained its position as the premier developing and printing chain, despite the economic downturn. Its quality services, products, and wide network support its premium brand name. In China, the Fotomax retail business has only recently been launched and is still in its investment phase. The Group is also exploring opportunities to develop the retail business for the China market.

The Group has continued with selective high impact initiatives to promote and sustain the Fujifilm brand in both Hong Kong and Mainland China, including sponsorship-linked promotions for the FIFA World Cup 2002 and an ongoing partnership with Hong Kong celebrity, Kelly Chen. It has remained active in demonstrating the innovation and cutting edge technology of Fujifilm products at the industry's most important exhibitions and events in Hong Kong, China and around the world.

"In the year ahead, our strategy is to ensure smooth and efficient distribution of our diverse product range and to expand the network in China. The quality and innovation of Fujifilm products and services ensures that they meet and create consumer demand. As ever, we will be keeping a close eye on costs and constantly looking for ways to operate even more efficiently," said Dr. Sun.

About China-Hongkong Photo

China-Hongkong Photo has been the sole distributor of Fujifilm products in Hong Kong and Macau since its establishment in 1968 and in China since 1980. The Group currently operates an extensive distribution network in China, Hong Kong and Macau.

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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
Maria Tsoi / Jessica Yeung (Tel: 2408-8663, Fax: 2407-0695)

Through: Golin/Harris International Limited
Leslie Fung / Peggy Chung (Tel: 2522-6475, Fax: 2810-4780)