

## **China-Hongkong Photo Announces 2003 Interim Results**

- Group results significantly impacted by SARS
- Steady growth in information systems turnover
- Future strategic marketing efforts to capitalize on opportunities in China arising from CEPA

China-Hongkong Photo Products Holdings Limited today announced its results for the six months ended 30 September 2003. The Group's consolidated turnover for the period was HK\$678 million. Net loss attributable to shareholders was HK\$72 million. Loss per share was HK6.19 cents, with an interim special dividend of HK1 cent declared.

As a result of over stock caused by SARS (Severe Acute Respiratory Syndrome) and the cut-throat price competition after SARS, the Group's revenue and profitability were impacted. Coupled with grant for subsidies to customers and the obsolete inventory incurred by the Group, a loss was recorded for the period under review.

The decline in turnover was also due to SARS, while the Group's film and D&P service businesses were affected by the fierce competition resulting from price cuts by parallel imports and different branded products, particularly during the SARS period. Sales of photographic films and digital cameras dropped, as a result of the digitalization trend and the delayed launch of new digital camera models by Fujifilm Japan. Despite a steady sales growth in July and August, the loss led by SARS could not be recovered.

Dr. Dennis Sun, Chairman and Managing Director of China-Hongkong Photo said, "Despite our strong growth in information systems and digital products and services businesses, we have faced a difficult operating environment during the period under review. However, I remain very optimistic about the enormous growth potential of the China market and we are well-positioned to capitalize on opportunities in this market."

The imaging systems segment, which includes businesses related to photographic films, motion picture films, digital cameras, electronic imaging equipment, magnetic audiovisual media products, accounted for 42% of the Group's total turnover during the period under review. Affected by SARS, the total segment turnover decreased by 39% compared to the corresponding period last year.

Led by the booming film and advertising industry in China, an increased number of Taiwan and Hong Kong production companies filmed on the mainland. This helped drive sales growth in professional movie films in China by 15% during the period. With the

commencement of CEPA (Closer Economic Partnership Arrangement) next year, the Group believes this steady growth in demand for movie films will continue.

Photofinishing Systems, which includes products such as photographic paper, chemicals and photo-finishing equipment, accounted for 19% of the Group's total turnover. Total sales of this segment recorded a decrease of 38% compared to the corresponding period last year.

The outbreak of SARS impacted tourism which is key to the Group's sales, despite this, Fujifilm Digital Minilab Frontier continued its expansion pace. Given the prevailing digitalization trends, the Group's businesses in imaging and information sectors are in a growth situation. The Frontier system has been installed in more than 50 cities in China, Hong Kong and Macau.

Activities in the Information Systems segment include medical imaging systems, graphic art products and data storage media. This segment accounted for 26% of the Group's total turnover.

During the period under review, turnover for the information systems segment was up 27% compared to the same period last year, primarily as a result of the SARS outbreak. The surging demand for X-ray films, together with the digitalization of medical systems whose sales increased by over 25% versus the corresponding period last year, have created a strong demand in this sector of business.

Fuji Medical Company Ltd. has sought business expansion to provide value-added services through strategic development with leading market players in China, Hong Kong and Macau.

The introduction of Fujifilm's dry imaging technology as a replacement for the conventional X-ray function is also a major breakthrough in terms of technology advancement. This environmentally friendly and cost effective technology delivers superb image quality and stability with no chemical or solid waste. It will further accelerate the market demand for the relevant medical products.

In addition, Fuji graphic art products recorded a 29% growth in sales during the period. Given the continued demand for quality graphic art products, the Group will further expand into the China market. Aiming to provide marketing, distribution and after-sales services of the graphic art products in China, Hong Kong and Macau, we established a wholly-owned subsidiary called 中僑中港(上海)國際貿易有限公司 in Shanghai. Showrooms and an after-sales service centre have also been set up in Shanghai, with more branches to be opened later in key cities.

The retail front accounted for 13% of the Group's total turnover. The Fotomax chain benefits from a clear position as the premium, high-quality photo and digital imaging retail chain. During the period under review, Fotomax expanded strategically from 63 shops to 76 in the Hong Kong region. In addition to Hong Kong, the Group has also leveraged Fotomax's strong brand and reputation in the China market. The Group is well-covered in key cities in China, including Beijing, Shanghai, Guangzhou and Shenzhen.

Sales of digital cameras contributed significantly to the growth in turnover. With the popularity of digital cameras, an increased number of digital camera users will employ our FDI service. As a result, this raised the demand for digital output from 10% to over 40% compared to the same period last year.

“Looking ahead, we are confident that with China as the new powerhouse for the world’s economy, the Group’s businesses will be benefiting from positive factors such as the recently signed CEPA between Hong Kong and China, strong tourism growth in China and the Individual Visit Scheme which allows individual mainland visitors to flock to Hong Kong. Our businesses will continue to ride on the growth momentum, particularly the information systems, digital products and services sectors and retail operations, and achieve promising results in future,” 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](http://www.chinahkphoto.com.hk)”.

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