



Press Release

6<sup>th</sup> December 2007

## **CHINA-HONGKONG PHOTO ANNOUNCES INTERIM RESULTS**

- Net profit attributable to shareholders of HK\$18.54 million and revenue of HK\$161 million
- Strong performance from Fun2Print business
- Interim dividend of HK1 cent and interim special dividend of HK2.8 cents 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 2007. The Group’s consolidated revenue for the period was HK\$161 million, down by 71.2% compared to the corresponding period last year. Net profit attributable to shareholders was HK\$18.54 million, compared to a net profit of HK\$69.37 million for the same period last year. Earnings per share were HK1.59 cents, with an interim dividend of HK1 cent and an interim special dividend of HK2.8 cents declared.

“The Group trusts that with the strong local economy and the continued increase in tourism, a high demand for quality photofinishing services in Hong Kong will continue. We are constantly upgrading imaging software, investing in a strong team of knowledgeable frontline staff, and are also focusing on promotional activities. Indeed, a strategic approach to marketing which leverages increased consumer demand for digital products will, we believe, sustain growth in the digital printing business” said Dr Dennis Sun, Chairman of China-Hongkong Photo.

### **MERCHANDISING**

During the period under review, the market for traditional imaging products has continued to shrink which has seen the sales of traditional imaging products drop by 23.6% compared to the same period last year. However, with the shift by consumer to digital products, digital camera sales remain one of the Group’s strongest business areas. With new models and new product lines under way, digital camera sales have increased by 18.9%. The upswing in sales indicates a strong consumer interest in digital imaging technology, and that customers are satisfied with the latest FinePix models.

The increasing popularity of digital cameras has consequently resulted in an increase in the use of digital printing. The Group has seen increasing numbers of consumers printing digital images onto photographic paper. Instant products have also recorded a good performance in the period under review, up by 33.3%.

The contraction in the number of competitors across the region has also contributed to the Group’s increased market share. In addition, an increased number of Frontier



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Minilabs are planning to renew their digital photo-printing machines. The total turnover of machines sold has increased by 37.8%, confirming that the market is committed to continued upgrading of traditional machines to new digital technology.

### **PHOTOFINISHING AND TECHNICAL SERVICES**

The strong price competition in the photofinishing business has proved to be a major challenge for the Group in the period under review. The Group closed six Fotomax shops during this period to maintain business profitability. This has seen the number of outlets decrease from 92 to 86.

Fotomax's key business continues to be its high-quality digital output services. More than 90% of the print orders derive from digital files rather than film. Photo finishing services have seen an increase of 1.4% compared with the corresponding period last year. The total number of digital prints amounted to 30.2 million and has increased by 2.8% compared to the same period last year. This growth has been due partly to the increasing popularity of digital photography and also to the introduction of new "Digital Kiosks" across Hong Kong. These compact self-service touch-screen machines allow customers to enjoy instant photographic prints. The total number of digital kiosks has grown from 135 to 188 compared to the same period last year.

Fun2Print including paper items, gift items and other album services remain extremely popular, with sales increased by 330% compared to the same period last year.

### **BRAND MANAGEMENT**

Strategic brand management enhanced the Group's market share, profitability and brand equity. Integrated brand management not only reinforced long-term customer loyalty, but also served to drive growth through the development of new market segments. During the period under review, strategic campaigns incorporating public relations, advertising and promotional activities were implemented which delivered positive brand reinforcement against our target audiences.

The Group's products have been recognised globally for their quality with prestigious awards recognizing the digital camera and the minilab. Specifically, FinePix S5Pro won the EISA Award as European Advanced Camera of the Year 2007-2008. As well, FinePix Z5fd and the Frontier 550 have been selected for the Technical Image Press Association (TIPA) Awards of the Year 2007.

In its retail business, the Group has allocated substantial resources aimed at raising brand awareness of Fotomax and promoting greater demand for digital photo printing.



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Under Fotomax's two successful brands "Fun2Print" and "FotoPress", the Group has continued to develop new market opportunities. These included a Mother's Day promotion featuring new crystal products in Mother's Day cards while new Hello Kitty and My Melody products were introduced to celebrate Fotomax' 25<sup>th</sup> anniversary as part of a photographic promotion and television advertising campaign.

## **OUTLOOK**

Dr Sun said: "The Group believes Hong Kong's robust economy, which is benefiting from strong support from Mainland China, will continue to act as a counterweight to the market's fierce competition and rising costs. We remain optimistic about business prospects and will continue to take advantage of the special opportunities presented by rising tourism numbers as well as the growing internet usage by Hong Kong's younger generation. We shall continue to capitalize on these opportunities to grow the digital businesses."

## **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](http://www.chinahkphoto.com.hk)".

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