



Press Release

22nd June 2011

CHINA-HONGKONG PHOTO ANNOUNCES ANNUAL RESULTS

- Professional products maintain strong performance; sales up 69.4%
- New DocuXpress service records 61.9% growth in sales
- The Board of Directors recommends a final dividend of HK2 cents and a final special dividend of HK1 cent per share

China-Hongkong Photo Products Holdings Limited today announced that consolidated turnover for the financial year ended 31 March 2011 was HK\$349 million compared to HK\$341 million last year, an increase of 2.5%. Net profit attributable to shareholders was HK\$23 million. Basic earnings per share was HK1.93 cents. The Board of Directors has proposed a final dividend of HK2 cents and a final special dividend of HK1 cent per share.

“The year ending 31 March 2011 saw a certain degree of stabilisation in the global economy which enabled us to capitalise our hard work and achieve improved result,” said Dr. Dennis Sun, Chairman of China-Hongkong Photo. “One of the highlights of the year was our decision to take our relationship with Fujifilm Japan to a new level with the expansion of the renowned Fujifilm skincare line of products, and we are very optimistic about this new product line in Hong Kong. Meanwhile, our traditional businesses of merchandising, photofinishing and technical services performed steadily throughout the year, giving us a very solid foundation for further growth.”

“We continue to enjoy some very powerful advantages that are keeping us at the forefront of the industry in Hong Kong,” Dr. Sun continued. “However, we do anticipate some challenges in the year ahead, such as rapidly rising property values and rent and the introduction of the new Minimum Wage Ordinance. To counterbalance these cost increments, we will be running a number of new initiatives that should cut costs, boost efficiency and stimulate new businesses.”

MERCHANDISING

Photographic Products

Sales of instant products fell by 16.1% over the year, resulting primarily from stock shortage at the supplier’s end. This impacted the Group’s ability to supply instant products at a pace that could keep up with demand which remains high particularly among young people.

Digital product sales increased by 30% due to the ongoing launches of new digital camera models throughout the year. The innovative new FinePix REAL 3D was launched to strong demand.

Sales of professional products increased by 69.4%. The Group attributed this to the fact that more people now prefer using professional images for significant events.



Skincare Products

Following the opening of its first flagship Fujifilm Beauty store in Central in September 2010, the Group has continued to open skincare stores in premium strategic locations and sales have shown satisfactory progress. The Group also introduced online ordering in February 2011, enabling customers to order conveniently from home and then pick up their purchases at any Fujifilm Beauty or Fotomax shops.

The Fujifilm skincare product line primarily comprises the ASTALIFT beauty series, which is becoming more popular following a number of awards and recognitions it has received since its launch. Meanwhile, the collagen drink Collagen 10000 has earned a name for itself as the drink with the highest collagen level among other similar products available in Hong Kong.

PHOTOFINISHING AND TECHNICAL SERVICES

Revenue from photofinishing services fell slightly, by 3%, compared to the previous year due to the ongoing decline in print processing of digital files. The Group processed a total of 49.1 million prints over the year, a decrease of 14.3% from the previous year.

Personalized gifts in the Fun2Print range, on the other hand, continued to be a good source of revenue for the Group, with sales holding steady across the year. Sales of Fotobook items for the year rose by 5.8%. In addition, the new DocuXpress service, fully launched in September 2010, recorded 61.9% growth in sales against those of a similar range of separate services offered in the previous year.

BRAND MANAGEMENT

The Group's strengths and market leadership are partly built on its acquisition and strategic handling of brands. During the year, the Group worked to maximise the public's awareness of several exceptional new FinePix cameras coming into the market, highlighting their quality and the many awards won by them. A series of television ads were shown on several Hong Kong channels including TVB HD Jade, J2, Cable TV and now TV, backed by newspaper and magazine placements as well as outdoor billboards at shopping centres. The Group also specifically promoted the advanced FinePix X100 through billboard advertising as well as other channels. Increased sales for the digital camera range are expected in the coming year as a result of these initiatives.

Over the Christmas season, the Group marketed its Fun2Print and Fotobook services, running a series of promotion with strong emphasis on calendars and Christmas cards. The Group also launched a new website (www.fotobook.com.hk) to inspire Fotobook users and provide them with resources, ideas and online gift ordering facilities. As a result, online calendar sales rose 327.8% over the previous year. Furthermore, Fotomax member sales accounted for 31.9% of the total sales of imaging gifts in the year. The total number of Fotomax club members stands at over 300,000, of whom more than 180,000 are active.



CHINA-HONGKONG PHOTO PRODUCTS HOLDINGS LIMITED
中港照相器材集團有限公司

The Group dedicated significant resources to launch and drive awareness of its new skincare line in Hong Kong by employing extensive media, outdoor, MTR and mall advertising. The Group also conducted marketing campaigns for specific Fujifilm Beauty outlets through direct mailing, iPhone apps downloading and the Fujifilm Beauty Club website, where members earn points from buying Fujifilm products that can be redeemed for a wide range of gifts.

OUTLOOK

Dr. Sun said, “The outlook for the Group in the coming year is mostly positive. The recent launch of the new skincare range has diversified our business, and I am confident that it will soon represent a significant growth area of the Group.

We are expecting the FinePix X100, our flagship model, to drive significant sales of our digital camera range in the coming year. We are also lining up the launches of several more quality cameras that we expect to be very popular.

Our image gift business has plenty of potential, and to realise this, we will increase its exposure. DocuXpress service is an area that still holds great promise, and we will continue to promote the advantages of DocuXpress heavily in the coming year. We will also be looking to promote mobile document solutions via mobile Apps for users of iPhones, Windows phones and Android phones, making DocuXpress a truly mobile service.

This year we are looking to consolidate our online activities and develop a Fujifilm Brand Concept Shop in the form of a single online platform for all our relevant products and services. This will bring everything together into a single, convenient online shopping and redemption programme for our customers.”

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 authorised distributor of Fujifilm products in Hong Kong and Macau since 1968. In September 2010, the Group was appointed by Fujifilm Japan to be the exclusive agent in Hong Kong to launch and trade Fujifilm skincare products via the brand name “Fujifilm Beauty”. The Group currently operates an extensive photofinishing network under the “Fotomax” name in Hong Kong.

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The full text of this and other Group announcements can be accessed through the Internet at “www.chinahkphoto.com.hk”.

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