

## **China-Hongkong Photo Announces 2004 Interim Results**

- Net profit attributable to shareholders of HK\$21million and turnover of HK\$656 million
- Surge in demand for prints from digital cameras
- Sustained marketing effort to support retail service expansion
- Interim dividend of HK1 cent 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 2004. The Group’s consolidated turnover for the period was HK\$656 million. Net profit attributable to shareholders was HK\$21 million, compared to a net loss of HK\$72 million for the same period last year. Profit per share was HK1.82 cents, with an interim dividend of HK1 cent declared.

As a result of the Mainland-Hong Kong Closer Economic Partnership Arrangement (CEPA) and the influx of visitors from China, the Hong Kong economy has exhibited a solid upturn and an upsurge in consumer spending and investment during the period under review. The Group’s revenue and profitability improved slightly. Coupled with effective inventory management and cost control measures undertaken by the Group, this resulted in a profit of HK\$21 million for the period under review.

Dr. Dennis Sun, Chairman and Managing Director of China-Hongkong Photo said, “With the steady growth in our information solutions and retail businesses, we remain strongly committed to our strategy of moving beyond photography and into the broader imaging field. Meanwhile, we remain cautiously optimistic about our business development and will continue to pursue the business opportunities arising from CEPA in the coming year.”

The imaging solutions segment includes businesses related to photographic films, motion picture films, digital cameras, electronic imaging equipment, magnetic audiovisual media products, photographic paper, chemicals and photo-finishing equipment. It accounted for 56% of the Group’s total turnover during the period under review.

Total segment turnover decreased by 2% compared with the corresponding six months last year. Sales of photographic films improved slightly by 4.6%, but still lag behind the sales performance before SARS (Severe Acute Respiratory Syndrome). Revenue from sales of digital cameras was more or less the same as the corresponding period last year, although the total sales volume rose considerably by 65% compared with the same period in the previous year, mainly due to cut-throat price competition and the growing popularity of phone cameras.

With the commencement of CEPA in January 2004, the demand for movie films has continued to grow. Sales of professional movie films were up by 11% compared with the same period last year. The booming film and advertising industry in China is expected to drive further sales growth in professional movie films.

Sales of Fujifilm's Frontier digital minilab series in Hong Kong showed signs of gradually leveling off in the period under review. However, the unprecedented high quality output from both film and digital media, along with the increasing popularity of digital cameras and phone cameras, has seen a substantial rise in the volume of prints from digital cameras. As a result, total sales of paper grew by 27% during the period under review, compared to the same period last year.

Activities in the information solutions segment include medical imaging systems, graphic art products and data storage media. This segment accounted for 29% of the Group's total turnover.

During the period under review, the overall turnover for the information solutions segment was up 11% compared to the same period last year. Sales of the DryPix series recorded 15% growth due to a successful promotional campaign by the Group's wholly-owned subsidiary, Fuji Medical Products Ltd. A successful tender for the supply of radiographic films and processing chemicals to the Hospital Authority of Hong Kong further accelerated the sales of films during the period under review. Fuji Medical Products Ltd. has pursued business expansion through strategic alliances with dominant market players in China, Hong Kong and Macau in order to provide comprehensive after-sales service.

In the graphic art products business, 11% growth was recorded in sales during the period. The PS Plate was well received by the publishing industry in Hong Kong and boosted sales of printing materials by 23% compared with the corresponding period in the previous year. Meanwhile, a new recording film 'Benefit' was introduced specifically for the China market with a competitive price and was so popular that the sales of recording film increased considerably by 100%. Computer-to-plate (CTP) systems will become more popular as the demand for high quality graphic arts products grows in China. Accordingly, Fuji Graphic Arts Products Ltd is taking steps to boost its sales through effective promotional campaigns at the trade level.

The retail businesses accounted for 15% of the Group's total turnover during the period under review.

Total sales for the retail segment increased by 6% compared to the same period last year. In Hong Kong, the Fotomax chain expanded strategically from 76 shops to 84. High-quality digital imaging D&P service has become the core business of Fotomax, with sales of D&P service up by 25.5% and print volume up by 32.4% compared to the same period last year. Sales volume for digital prints rose 112.8% and CD-Rom recording and film digitization service also recorded steady growth of 6.1%. This was driven by the increasing popularity and sophistication of digital cameras and camera phones, as well as the success of the "Digital Kiosk" - a compact computer terminal, which allows customers to order digital prints themselves in just one minute, at the touch of a screen. The prevalence of digital

imaging has also driven the sales of PC and digital related accessories up by 30% compared with the same period last year.

“Looking ahead, we will continue to implement comprehensive measures to accelerate growth of both the wholesale and retail business through different channels. Most importantly, we will reinforce our leadership position in the digital imaging arena with Fujifilm’s advanced imaging and information solutions technology, and further strengthen the brand awareness of Fotomax as the most outstanding and reliable photofinishing retail chain in Hong Kong.” 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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