



Press Release

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CHINA-HONGKONG PHOTO ANNOUNCES INTERIM RESULTS

- Consolidated turnover decreased 1.7% from HK\$176 million to HK\$173 million. Net result went from a net loss during last period under review to a net profit of HK\$25.64 million this period due to high returns from fund investments
- Strong growth in overall sales of key products led to steady profit
- Interim dividend of HK1 cent and interim special dividend of HK1.5 cents per share declared

China-Hongkong Photo Products Holdings Limited (“China-Hongkong Photo” or the “Group”, Stock Code: 1123) today announced its interim results for the six months ended 30 September 2009. The Group’s turnover declined slightly from HK\$176 million to HK\$173 million, down by 1.7% compared to the same period last year. However, high returns from fund investments boosted net profit to HK\$25.64 million. Earnings per share were HK2.21 cents.

“The global financial tsunami continues to affect consumer spending, and there are many more challenges and obstacles to overcome before a more stable position can be achieved. However, the management is still cautiously optimistic that the Group’s position will continue to improve. We will adopt proactive but prudent business strategies to monitor and review consumer demand, which will enable us to rapidly develop potential markets for our products,” said Dr Dennis Sun, Chairman of China-Hongkong Photo.

MERCHANDISING

The Group’s performance in the sales of instant, digital and professional products remained sound. The sales of instant products shot up by 31.9% compared to the same period last year. Professional products registered even stronger sales, increasing by 46.9%, while the sales volume of digital products increased by a respectable 17%.

The Group is confident that market demand for digital imaging products will remain strong and that customers will continue supporting the latest FinePix products because of their high performance.

The Group is further boosting the Fuji Digital Imaging (FDi) service to maintain its position in the digital imaging market. The Group intends to provide more photofinishing-related products such as FotoBook and Fun2Print, as well as introduce online printing to FDi dealers.

PHOTOFINISHING AND TECHNICAL SERVICES

The overall performance of the photofinishing business was clearly affected by the global economic crisis, decreasing 7.5% when compared with the same period last year.

To enhance cost efficiency, the Group reviewed the profitability of its shops and streamlined its total number of outlets from 84 to 80. At the same time, the Group continued to increase the number of its popular digital kiosks, from 230 to 235 during the period under review.

A strong Fotomax income-earner was the Fun2Print service. Total sales for Fun2Print personalized imaging gifts rose 51.4% compared with the same period last year.

The Group continues to follow global trends in e-business and has elected to maintain Fotomax's successful membership website. As the general public become more accustomed to shopping online, the Group expects income from online sales to offset losses from film sales and be a driving force in its future retail business.

BRAND MANAGEMENT

The Group has long understood that practical brand management is a principal factor in boosting sales and sustaining brand image. In addition to building public awareness of the brand through extensive media exposure, various promotional and strategic advertising activities have also played important roles.

In addition to various seasonal promotions launched to capture festive spirit, the Group reached a licencing agreement with Disney to use its cartoon characters in photo developing and processing (D&P), Fun2Print imaging gift items and FotoBook to attract more customers.

The "free-fun-border" photo frame along with photo albums, some featuring Disney cartoon characters, were distributed during D&P promotions and received enthusiastic receptions from customers.

Another key focus has been FotoBook. The Group introduced new cover materials imported from Europe, including new binding, to widen the product range. Customers can now also download the Fotomax FotoBook software in regular or cartoon character versions, enabling them to design their own personalized FotoBook at home.

The Group's promotional and marketing efforts have been augmented by a number of global awards. The FinePix F200EXR won the DIMA 2009 Innovative Digital Product Award, and it was named the Best Compact D-Camera for 2009 by TIPA (The Technical Image Press Association). Also, the Super CCD EXR won TIPA's Best Imaging Innovation Award and EISA's (European Imaging and Sound Association) Best Product 2009-2010 for Digital Imaging Innovation.

During the period under review, the Group launched other effective joint promotion schemes with Nestle, Watson's The Chemist, Club Med, GP Battery, Sanrio Fans Club, mtrshops and The Community Chest.

OUTLOOK

Dr Sun said, "Despite a very tough half-year, the Group performed reasonably well. We believe the market situation will continue to be challenging, but we are optimistic about the imaging industry. Our top priority is developing Fotomax as the preferred chain of its kind in Hong Kong through customized imaging gifts. This will ultimately establish Fotomax as the leading digital imaging operator in Hong Kong, with the widest range of image gift items and the largest range of FotoBook selections."

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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 authorized distributor of Fujifilm products in Hong Kong and Macau since 1968. The Group currently operates an extensive photofinishing network under the name "Fotomax" in Hong Kong.

The full text of this and other Group announcements can be accessed online at www.chinahkphoto.com.hk.

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