



Press Release

24<sup>th</sup> June 2010

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

- Professional products records strong sales performance, up more than 100%
- Fotobook records strong growth of 68%
- The Board of Directors recommends a final dividend of HK1.5 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 2010 was HK\$341 million compared to HK\$325 million last year, an increase of 4.9%. Net profit attributable to shareholders was HK\$45 million. Earnings per share was HK3.86 cents. The Board of Directors has proposed a final dividend of HK1.5 cents and a final special dividend of HK1 cent per share.

“The year ending 31 March 2010 presented serious challenges to most sectors of the economy, and the market for photo and imaging products and services was not immune,” said Dr. Dennis Sun, Chairman of China-Hongkong Photo. “Around the world, the industry saw demand fall as consumers cut back on discretionary spending. However, we are still able to report steady profitability, strong sales in certain areas and pleasing returns from prudent investments,” he added. “Our ability to keep a close watch on the latest international trends in imaging and introduce new products and services to the market has contributed directly to this growth. We are also closely in tune with our home market of Hong Kong, which has allowed us to respond quickly and efficiently to changes.”

“Now that the global economy has shown gradual signs of improvement in recent months, we are confident that our core strengths will continue to result in growth as we remain one of Hong Kong’s most trusted brands in our field, with a reputation for quality and reliability. Our strong fundamentals and our clear vision of the future direction of the industry give us, I believe, grounds for such confidence in our performance over the coming 12 months,” Dr. Sun said.

### **Merchandising**

Instant products are particularly popular amongst young people, who use them at social gatherings and on outings to ‘capture the moment’ and create a spontaneous, instantaneous record of the fun times they are experiencing together. Sales of instant products surged by 59.6% over the previous year, largely because of the buying power of younger shoppers who, as mentioned above, are the consumers particularly attracted to the capabilities of these kinds of products.

Sales volume for digital products rose by 27.7% because several digital cameras won awards or attracted positive international attention in some way.

Sales of professional products soared by 109.3%, the result of more people switching to professional images for special events and demanding the best equipment to process items such as large-size photos. Professionals also know that by purchasing through China-Hong Kong Photo channels, they are getting guaranteed quality for their images.



### **Photofinishing and Technical Services**

The Group's turnover from photofinishing decreased by 5.5% year on year. In terms of the number of prints, Fotomax developed 57.3 million prints, around 10.5% fewer than in the previous year.

Total sales for Fun2Print personalized imaging gifts rose by 34.1% compared with the previous year. Sales for Fotobook—which looks to be an increasingly important way the Group will attract new customers—increased by 68%.

The Group will work to maintain and improve its online presence to attract more people into its web-based membership program, the Fotomax Privilege Club, and it will also expand the privileges available to members. Currently, the Fotomax Privilege Club has 133,500 active members, with member sales accounting for 31% of total sales and 20% of total transactions.

The Group introduced Fujicolor HD Supreme Digital Paper to all its Fotomax outlets from February 2010. After one month's use of the new paper during the year under review, the Group's developing and printing sales grew by 3.7% compared to March 2009, apparently a direct result of this introduction.

### **Brand Management**

The Group includes brand management in its advertising, product design and promotions, which include TV, print and outdoor advertisements in high-traffic commuter locations, TV show sponsorships, and joint promotions with media partners.

During the year, the Group boosted its Fuji Digital Imaging (FDi) service to make it easier for consumers with digital files to obtain superb, high-quality prints, and it constantly upgraded its imaging software to remain at the forefront of the latest technological advances. FDi dealers were also provided with Fotobook training courses.

The Group leveraged its valuable licensing arrangement with Disney to incorporate popular Disney characters into a selection of major promotions and campaigns. The Group introduced Disney characters to gift items and incorporated other brand characters into its free Fun Border photo frame promotion, which stimulated demand for prints developed at Fotomax stores.

Monthly in-store promotions served to boost awareness and use of Fun2Print, and a number of new items were added to the Fun2Print range. Hello Kitty and Cinnamoroll brands continued to perform well. The Group's brand portfolio was particularly useful in the development of joint promotions with Nestle, Watson's the Chemist, Club Med, GP Battery, Sanrio Fans Club, mtrshops, the Community Chest and McDonalds, all of which were effective in promoting the Group's products and services. The Group participated in two important exhibitions during the year: the Wedding Expo in June 2009 and the Disney Princess Show in December 2009. Also, a successful joint promotion with Octopus brought many people in-store to take advantage of special offers associated with their Octopus cards.



### **Outlook**

Dr. Sun said, "The Group's primary goal will continue to be establishing Fotomax as the preferred imaging chain in Hong Kong, unparalleled for quality, convenience and choice. Moreover, we intend to introduce a new document solution business. This will be a 'one-stop document solution' service available at all Fotomax shops and using the latest FujiXerox processing equipment.

In a further move towards diversification, the Group has acquired the sole distributorship rights for Hong Kong for Fujifilm Japan skincare products. This agreement will come into effect in September 2010.

In summary, I am confident that the Group can achieve its mission. There are still many challenges to overcome, but as the Hong Kong market recovers and the economic crisis recedes, the Group expects to be able to consolidate its position, launch promising new initiatives and re-establish its growth momentum."

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

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