



CHINA-HONGKONG PHOTO PRODUCTS HOLDINGS LIMITED
中港照相器材集團有限公司
(Incorporated in Bermuda with limited liability)

(Stock Code: 1123)

Annual Result Announcement 2003/2004

- **Profitability impacted by SARS as the Group incurred a one-time provision for subsidies**
- **Substantial growth in turnover for medical imaging systems and graphic arts products**
- **Substantial increase in cash and bank balances due to effective cost-control measures**
- **Special dividend of HK10 cents per share proposed to celebrate the 10th Anniversary of the Group's listing on the Hong Kong Stock Exchange**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	Year ended	
		2004	2003
		<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Restated)</i>
TURNOVER	2	1,395,111	1,735,428
Cost of sales		<u>(1,249,892)</u>	<u>(1,460,984)</u>
Gross profit		145,219	274,444
Other revenue	2	29,969	57,255
Selling and distribution expenses		(69,595)	(77,538)
Advertising and marketing expenses		(35,461)	(118,899)
Administrative expenses		(88,011)	(111,853)
Other operating expenses		<u>(39,089)</u>	<u>(6,774)</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	3	(56,968)	16,635
Finance costs	4	<u>(395)</u>	<u>(188)</u>
PROFIT/(LOSS) BEFORE TAX		(57,363)	16,447
Tax	5	<u>(4,329)</u>	<u>3,463</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(61,692)	19,910
Minority interests		<u>45</u>	<u>(1,485)</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>(61,647)</u>	<u>18,425</u>
DIVIDENDS			
Interim special		11,638	23,277
Proposed special final		<u>116,383</u>	<u>11,638</u>
		<u>128,021</u>	<u>34,915</u>
EARNINGS/(LOSS) PER SHARE			
Basic	6	<u>(5.30 cents)</u>	<u>1.58 cents</u>
Diluted	6	<u>N/A</u>	<u>N/A</u>

Notes:

1. Principal Accounting Policies and prior year adjustments

The accounting policies and basis of preparation used in the preparation of the financial statements are the same as those used in the annual financial statements for the year ended 31 March 2003, except that the Group has changed its accounting policy for taxation to comply with SSAP 12 (Revised), "Income taxes" issued by the Hong Kong Society of Accountants, which is effective for accounting periods commencing on or after 1 January 2003.

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax loss (deferred tax).

Interpretation 20 "Income taxes – Recovery of revalued non-depreciable assets" is also effective for accounting periods commencing on or after 1 January 2003, and requires that a deferred tax asset or liability that arises from revalued non-depreciable assets and investment properties is measured based on the tax consequences that would follow from the recovery of the carrying amount of that asset through sale. This policy has been applied by the Group in respect of its investment properties in the deferred tax calculated under SSAP 12.

On the adoption of SSAP 12 (Revised), deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future. In addition, a deferred tax asset has been recognised for tax losses arising in the current/prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.

In respect of the deferred tax asset arising from a business combination that is not recognised at the time of acquisition, but is recognised subsequently, SSAP 12 requires the Group to adjust the gross carrying amount of the goodwill and the respective accumulated amortisation to the amounts that would have been recorded if the deferred tax asset had been recognised as an identifiable asset at the date of the business combination.

These changes in accounting policy have been applied retrospectively such that the comparative amounts presented have been restated to conform to the changed policy.

The Group has recognised a deferred tax asset, to the extent that it was probable that the deferred tax asset would crystallise in the foreseeable future, retrospectively in the prior years. The Group's deferred tax assets principally arose from tax losses carried forward by certain subsidiaries which were acquired by the Group in July 2001. The deferred tax assets arising therefrom accordingly resulted in a restatement of goodwill. The effects of this change in accounting policy on the opening balances as at 1 April 2002 and 2003 and on the profit and loss account for the year ended 31 March 2003 are:

(A) *Restatement of goodwill:*

- (i) to reduce the gross amount of goodwill by HK\$13,741,000 as at 1 April 2002 and 2003;
- (ii) to reduce the accumulated amortisation of goodwill as at 1 April 2002 and 2003 by HK\$458,000 and HK\$1,144,000, respectively; and
- (iii) to reduce the amortisation charge of goodwill for the year ended 31 March 2003 by HK\$686,000.

(B) *Recognition of a deferred tax asset:*

- (i) to recognise a deferred tax asset of HK\$1,698,000 at 1 April 2002; and
- (ii) to increase the tax charge of HK\$1,698,000 for the year ended 31 March 2003 representing the utilisation of the deferred tax asset.

The net impact arising from (A) and (B) above, is summarised below:

	Increase/(decrease)		
	Profit for the year ended 31 March 2003 <i>HK\$'000</i>	Retained profits as at 1 April 2003 <i>HK\$'000</i>	Retained profits as at 1 April 2002 <i>HK\$'000</i>
(A) Restatement of goodwill	686	(12,597)	(13,283)
(B) Recognition of deferred tax asset	(1,698)	–	1,698
Net impact of (A) and (B)	<u>(1,012)</u>	<u>(12,597)</u>	<u>(11,585)</u>

2. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, net of trade discounts, allowances for returns, and income from rendering film processing and photo finishing services.

An analysis of turnover and revenue is as follows:

	2004 HK\$'000	2003 HK\$'000
Turnover:		
Sale of goods	1,259,352	1,593,993
Income from rendering film processing and photo finishing services	135,759	141,435
	<u>1,395,111</u>	<u>1,735,428</u>
Other revenue:		
Interest income	1,762	701
Rental income, net	2,028	1,686
Subsidies received from a supplier	24,155	49,413
Gain on disposal of fixed assets	–	902
Others	2,024	4,553
	<u>29,969</u>	<u>57,255</u>

3. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	2004 HK\$'000	2003 HK\$'000 (Restated)
Cost of inventories sold	1,091,906	1,366,745
Cost of services rendered	67,739	72,316
Auditors' remuneration	1,400	1,308
Depreciation	29,010	35,087
Amortisation of goodwill*	2,198	2,198
Minimum lease payments under operating leases on land and buildings	37,382	36,861
Loss on disposal of fixed assets**	555	–
Provision for subsidies***	79,493	11,796
Provision for slow-moving inventories***	10,754	10,127
Provision for bad and doubtful debts**	33,878	2,764
Impairment losses on fixed assets**	4,656	4,010
Staff costs (including directors' remuneration, but excluding benefits in kind):		
Wages and salaries	75,035	97,355
Pension scheme contributions	3,099	4,452
Less: Forfeited contributions****	(289)	(523)
Net pension contributions	<u>2,810</u>	<u>3,929</u>
Total staff costs	<u>77,845</u>	<u>101,284</u>
Exchange losses, net	1,985	2,858
Gross rental income	(2,151)	(1,820)
Less: outgoings	123	134
Net rental income	<u>(2,028)</u>	<u>(1,686)</u>

* The amortisation of goodwill for the year is included in "Administrative expenses" on the face of the consolidated profit and loss account.

** Items are included in "Other operating expenses" on the face of the consolidated profit and loss account.

*** Items are included in "Cost of sales" on the face of the consolidated profit and loss account.

**** As at 31 March 2004, there were no forfeited pension scheme contributions available to reduce contributions in future years (2003: Nil).

4. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Finance costs represent interest expenses on trust receipt loans wholly repayable within one year	<u>395</u>	<u>188</u>

5. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits arising in Hong Kong during the year after offsetting certain amounts of the tax losses carried forward by certain subsidiaries of the Group. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 March 2004. Taxes on profits assessable in Mainland China has been calculated at the rates of tax prevailing in Mainland China, based on existing legislation, interpretations and practices in respect thereof.

	2004 HK\$'000	2003 HK\$'000 (Restated)
Group:		
Current – Hong Kong		
Charge for the year	(4,380)	(3,181)
Overprovision in prior years	154	8,400
Current – Mainland China	(103)	(58)
Deferred	–	(1,698)
Total tax credit/(charge) for the year	<u>(4,329)</u>	<u>3,463</u>

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

Group – 2004

	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Loss before tax	<u>(26,118)</u>		<u>(31,245)</u>		<u>(57,363)</u>	
Tax at the statutory tax rate	(4,571)	17.5	(10,311)	33.0	(14,882)	25.9
PRC tax on deemed income	–	–	101	(0.3)	101	(0.2)
Adjustments in respect of current tax of previous periods	(154)	0.6	–	–	(154)	0.3
Income not subject to tax	(38)	0.1	(330)	1.1	(368)	0.6
Expenses not deductible for tax	2,359	(9.0)	49	(0.2)	2,408	(4.2)
Tax losses utilised from previous periods	(11,961)	45.8	–	–	(11,961)	20.9
Losses carried forward	15	(0.1)	10,594	(33.9)	10,609	(18.5)
Deferred tax assets not recognised	18,576	(71.1)	–	–	18,576	(32.4)
Tax charge at the Group's effective rates	<u>4,226</u>	<u>16.2</u>	<u>103</u>	<u>0.3</u>	<u>4,329</u>	<u>(7.6)</u>

Group – 2003

	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit/(loss) before tax	<u>37,224</u>		<u>(20,777)</u>		<u>16,447</u>	
Tax at the statutory tax rate	5,956	16.0	(6,856)	33.0	(900)	(5.5)
PRC tax on deemed income	–	–	57	(0.3)	57	0.3
Adjustments in respect of current tax of previous periods	(8,400)	(22.6)	–	–	(8,400)	(51.1)
Income not subject to tax	(880)	(2.4)	(1,066)	5.1	(1,946)	(11.8)
Expenses not deductible for tax	1,113	3.0	–	–	1,113	6.8
Tax losses utilised from previous periods	(2,127)	(5.7)	–	–	(2,127)	(12.9)
Losses carried forward	6	–	7,922	(38.1)	7,928	48.2
Deferred tax assets not recognised	812	2.2	–	–	812	4.9
Tax charge/(credit) at the Group's effective rates	<u>(3,520)</u>	<u>(9.5)</u>	<u>57</u>	<u>(0.3)</u>	<u>(3,463)</u>	<u>(21.1)</u>

6. EARNINGS/(LOSS) PER SHARE

The calculations of basic and diluted earnings/(loss) per share are based on:

	2004 HK\$'000	2003 HK\$'000 (Restated)
Earnings		
Net profit/(loss) from ordinary activities attributable to shareholders, used in the basic and diluted earnings/(loss) per share calculations	<u>(61,647,000)</u>	<u>18,425,000</u>
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings/(loss) per share calculation	1,163,828,377	1,163,828,377
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all share options outstanding during the year (<i>note</i>)	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares used in diluted earnings/(loss) per share calculation	<u>1,163,828,377</u>	<u>1,163,828,377</u>

Note: The share option exercise price was higher than the average market price of the Company's ordinary share during the year. Accordingly, no shares were assumed to have been issued at nil consideration on deemed exercise of the share options outstanding during the year.

SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segments; and (ii) on a secondary segment reporting basis, by geographical segments.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the wholesale segment engages in the marketing and distribution of photographic film, developing, processing products and printing products;
- (b) the retail segment engages in the provision of film processing and photo finishing services and the sale of photographic merchandises through retail outlets; and
- (c) the corporate and other segment comprises the Group's investment property business and the Group's management services business, which provides management and security services to residential and commercial properties, together with corporate income and expense items.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted at cost plus mark up of approximately 2%.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group	Wholesale segment		Retail segment		Corporate and Other		Eliminations		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000 (Restated)
Segment revenue:										
Sales to external customers	1,198,861	1,538,690	196,250	196,738	-	-	-	-	1,395,111	1,735,428
Intersegment sales	36,162	39,745	-	-	-	-	(36,162)	(39,745)	-	-
Other revenue	25,462	53,186	514	1,346	2,231	2,022	-	-	28,207	56,554
	<u>1,260,485</u>	<u>1,631,621</u>	<u>196,764</u>	<u>198,084</u>	<u>2,231</u>	<u>2,022</u>	<u>(36,162)</u>	<u>(39,745)</u>	<u>1,423,318</u>	<u>1,791,982</u>
Interest income									1,762	701
Total revenue									<u>1,425,080</u>	<u>1,792,683</u>
Segment results	<u>(39,526)</u>	<u>44,351</u>	<u>(16,108)</u>	<u>(28,026)</u>	<u>(3,096)</u>	<u>(391)</u>	<u>-</u>	<u>-</u>	<u>(58,730)</u>	<u>15,934</u>
Interest income									1,762	701
Profit/(loss) from operating activities									(56,968)	16,635
Finance costs									(395)	(188)
Profit/(loss) before tax									(57,363)	16,447
Tax									(4,329)	3,463
Profit/(loss) before minority interests									(61,692)	19,910
Minority interests									45	(1,485)
Net profit/(loss) from ordinary activities attributable to shareholders									<u>(61,647)</u>	<u>18,425</u>
Segment assets	<u>685,444</u>	<u>1,103,569</u>	<u>234,212</u>	<u>296,972</u>	<u>13,639</u>	<u>19,269</u>			933,295	1,419,810
Unallocated assets									297,815	-
Total assets									<u>1,231,110</u>	<u>1,419,810</u>
Segment liabilities	<u>98,542</u>	<u>192,535</u>	<u>38,432</u>	<u>51,445</u>	<u>7,527</u>	<u>7,652</u>			144,500	251,632
Unallocated liabilities									3,508	3,400
Total liabilities									<u>148,008</u>	<u>255,032</u>
Other segment information:										
Depreciation and amortization (restated)	7,972	17,017	22,476	19,596	760	672			31,206	37,285
Impairment losses on fixed assets	1,906	4,010	2,750	-	-	-			4,656	4,010
Capital expenditure	555	8,708	8,663	21,003	139	865			9,357	30,576
Surpluses on revaluation recognised directly in equity	-	-	-	-	3,375	-			3,375	-
Deficit on revaluation recognised directly in equity	-	-	-	-	-	50			-	50
Provision for bad and doubtful debts	33,804	2,764	74	-	-	-			33,878	2,764
Provision for slow-moving inventories	9,975	9,953	779	174	-	-			10,754	10,127
Provision for subsidies	<u>79,493</u>	<u>11,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>			<u>79,493</u>	<u>11,796</u>

(b) Geographical segments

The following table present revenue and certain asset and capital expenditure information for the Group's geographical segments.

Group	Hong Kong		Mainland China		Corporate and other		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)						(Restated)
Segment revenue:								
Sales to external customers	<u>1,189,006</u>	<u>1,505,049</u>	<u>206,105</u>	<u>230,379</u>	<u>-</u>	<u>-</u>	<u>1,395,111</u>	<u>1,735,428</u>
Other segment information:								
Segment assets	759,956	1,162,578	161,913	237,962	309,241	19,270	1,231,110	1,419,810
Capital expenditure	<u>7,240</u>	<u>24,889</u>	<u>1,978</u>	<u>4,822</u>	<u>139</u>	<u>865</u>	<u>9,357</u>	<u>30,576</u>

DIVIDENDS

An interim special dividend of HK1 cent per share (2003 interim dividend: HK2 cents) was paid on 24 February 2004.

The directors do not recommend the payment of a final dividend but recommend the payment of a special final dividend of HK10 cents per ordinary share (2003: HK1 cent) in respect of the year ended 31 March 2004 to shareholders on the register of members on 26 August 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover

The Group's consolidated turnover for the year ended 31 March 2004 was HK\$1,395 million, down 20% compared with 2003.

The outbreak of SARS (Severe Acute Respiratory Syndrome) in Hong Kong in 2003 affected the Group badly. Most notably, the sudden and dramatic drop in consumer demand led to excess stock and cut-throat price competition. The Group's revenue and profitability were seriously impacted as it dealt with subsidies to customers and obsolete inventories.

The camera and D&P services businesses were directly affected by fierce competition resulting from price cuts by parallel imports and other brands, particularly during the SARS period. Steady sales growth in the third quarter was not enough to recover the loss that resulted from the impact of SARS.

Wholesale Business

Imaging Systems

The imaging systems segment includes businesses related to photographic films, motion picture films, digital cameras, electronic imaging equipment and magnetic audiovisual media products. It accounted for 38% of the Group's total turnover during the year under review. Total segment turnover decreased by 32%, largely as a result of the impact of SARS on consumer demand. Sales of photographic films decreased due to the growing popularity of digital imaging, although digital camera sales were also down due to the delayed launch of new digital camera models by Fujifilm Japan and severe price competition subsequent to the outbreak of SARS.

Photofinishing Systems

This segment includes products such as photographic paper, chemicals and photo-finishing equipment and accounted for 22% of the Group's total turnover. Total sales of this segment decreased by 25%.

The sales from this segment were adversely affected by the outbreak of SARS and its impact on tourism and the overall drop in retail activity in Hong Kong and China during the SARS period.

In the longer term, however, sales of photographic paper and chemicals have been less affected by the growth of digital imaging than expected. Demand for digital output services has grown steadily as they become cheaper, more convenient and more efficient.

Information Systems

Activities in this segment include medical imaging systems, graphic art products and data storage media. This segment accounted for 26% of the Group's total turnover. Turnover for the information systems segment increased by 19% compared to the previous year. This was driven largely by demand for medical imaging products as a result of the SARS outbreak in Hong Kong and China, as surging demand for X-ray films generated stronger sales. In addition, the digitization of medical systems saw sales increase by more than 56% compared to the previous year.

Fuji graphic art products recorded a 17% growth in sales during the year. Given the continued demand for quality graphic art products, the Group has plans to expand further in the China market.

Retail Business

The retail business includes the Group's wholly owned D&P chain, Fotomax and accounted for 14% of the Group's total turnover. Fotomax recorded 16% sales growth compared to the first half of the year reflecting a quick recovery from the impact of SARS. Substantial growth was achieved in the second and third quarters as the Hong Kong economy gradually recovered.

During the year under review, Fotomax expanded strategically from 63 shops to 80 in Hong Kong. It launched a new digital photo kiosk service which allows customers to process their digital images in store and can handle digital imaging input from mobile phones as well as digital cameras. Meanwhile, online digital printing services were also introduced in July 2003 to enhance the convenience of digital output service for customer.

Marketing

The Group has continued to invest in brand building to support its business development during the year under review. To sustain brand awareness, it has continued to sponsor and participate in different kinds of public activities, including photo contests, tournaments, exhibitions, trade shows, TV programs and joint promotions to reach target customers in China, Hong Kong and Macau.

Loss attributable to Shareholders

During the period, the Group's net loss attributable to shareholders was HK\$62 million with a consolidated turnover of HK\$1,395 million.

Financial Resources

The Group's cash and bank balances as at 31 March 2004 were approximately HK\$531 million (2003:HK\$359 million) with a zero gearing ratio. Selling and distribution expenses decreased by 10% to HK\$70 million and the advertising and marketing expenses were reduced by 70% to HK\$35 million due largely to the effective cost-control measures during the financial year. Administrative expenses decreased by 21% to HK\$88 million and the total staff costs decreased by 23% to HK\$78 million due to the Group's business development and the structure adjustment. The Group had 654 employees (2003: 971), remunerated largely based on industry practice, including provident funds, insurance and medical benefits. The Group also adopted a discretionary bonus programme determined annually based upon the performance of the Group and the employee.

Trade receivables of HK\$254 million were recorded for the year, while inventory was HK\$176 million.

Prospects

With an average annual growth of 7%, China is the new engine for the world's economy. The Group remains confident and optimistic about the long-term growth potential of the China market and is focused on developing and refining its product and service offerings.

Strong tourism growth in China and the "Individual Visit Scheme" which allows individual mainland visitors to flock to Hong Kong are positive factors for the Group. Its businesses are expected to continue to ride this growth momentum, particularly the information systems, digital products and services and retail operations.

The recently signed CEPA between Hong Kong and China also provides tremendous opportunities. While focusing on its existing business strategy, the Group will continue to identify investment opportunities and strategic partnerships to accelerate its development in China.

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 March 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited.

As of the date of this announcement, Dr. Sun Tai Lun, Dennis (Chairman & Management Director), Mr. Tang Kwok Tong, Simon and Ms. Ng Yuk Wah, Eileen are the executive directors and Mr. Au Man Chung, Malcolm, Ms. Chiang Yun, Rachel, Mr. Liu Hui, Allan and Dr. Wong Chi Yun, Allan are the independent non-executive directors.

CLOSURE OF SHARE REGISTER

The register of members will be closed from 23 August 2004 (Monday) to 26 August 2004 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final special dividend, all transfers accompanied by the relevant share certificates must be lodged with Tengis Limited, the Hong Kong Branch Registrars of the Company, at G/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on 20 August 2004 (Friday).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

All information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

On behalf of the Board
Sun Tai Lun
Chairman and Managing Director
<http://chinahkphoto.com.hk>

HKSAR, 15 July 2004

Please also refer to the published version of this announcement in The Standard.