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**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)

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2010

### HIGHLIGHTS

- Professional products record 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

### CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
REVENUE	2	340,837	325,284
Cost of sales		<u>(232,185)</u>	<u>(215,652)</u>
Gross profit		108,652	109,632
Other income and gains	2	52,631	35,528
Selling and distribution costs		(53,691)	(55,824)
Advertising and marketing expenses		(9,628)	(10,486)
Administrative expenses		(45,285)	(48,784)
Other operating expenses, net		<u>(353)</u>	<u>(66,815)</u>
PROFIT/(LOSS) BEFORE TAX	3	52,326	(36,749)
Income tax expense	4	<u>(6,123)</u>	<u>(5,808)</u>
PROFIT/(LOSS) FOR THE YEAR		<u><u>46,203</u></u>	<u><u>(42,557)</u></u>
Attributable to:			
Owners of the Company		44,971	(42,227)
Minority interests		<u>1,232</u>	<u>(330)</u>
		<u><u>46,203</u></u>	<u><u>(42,557)</u></u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	6		
Basic		<u><u>HK3.86 cents</u></u>	<u><u>(HK3.63 cents)</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2010

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		26,410	36,020
Investment properties		139,740	130,315
Prepaid land lease payments		2,644	2,853
Goodwill		35,878	35,878
Rental deposits		5,252	4,414
Deferred tax assets		2,072	3,960
		<hr/>	<hr/>
Total non-current assets		211,996	213,440
<b>CURRENT ASSETS</b>			
Inventories		34,346	39,637
Trade and bills receivables	7	8,434	12,077
Prepayments, deposits and other receivables		38,718	15,966
Financial assets at fair value through profit or loss		161,437	168,207
Tax recoverable		–	1,417
Cash and cash equivalents		586,355	610,197
		<hr/>	<hr/>
Total current assets		829,290	847,501
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	8	14,381	17,745
Accrued liabilities and other payables		61,893	63,935
Tax payable		207	–
		<hr/>	<hr/>
Total current liabilities		76,481	81,680
<b>NET CURRENT ASSETS</b>			
		<hr/>	<hr/>
		752,809	765,821
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<hr/>	<hr/>
		964,805	979,261
<b>NON-CURRENT LIABILITIES</b>			
Accrued liabilities		15,480	18,662
Deferred tax liabilities		14,348	12,706
		<hr/>	<hr/>
Total non-current liabilities		29,828	31,368
<b>Net assets</b>			
		<hr/>	<hr/>
		934,977	947,893
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital		116,383	116,383
Reserves		779,417	792,642
Proposed final dividend	5	17,457	–
Proposed final special dividend	5	11,638	23,276
		<hr/>	<hr/>
		924,895	932,301
<b>Minority interests</b>		<hr/>	<hr/>
		10,082	15,592
<b>Total equity</b>			
		<hr/>	<hr/>
		934,977	947,893

NOTES:

1. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

China-HongKong Photo Products Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) has adopted the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 <i>Revenue – Determining whether an entity is acting as a principal or as an agent</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

\* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

\*\* The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*, which is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised), HKFRS 7 Amendments and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on the financial statements and there have been no significant changes to the accounting policies applied in the financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

**(a) HKAS 1 (Revised) *Presentation of Financial Statements***

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

**(b) Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments***

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balances is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in the financial statements. As the Group's liquidity risk disclosures in prior years were already presented in accordance with HKFRS 7 Amendments, no revision was made on the liquidity risk disclosures presented in the financial statements.

**(c) HKFRS 8 *Operating Segments***

HKFRS 8, which replaces HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. The adoption of the revised standard has no effect on the financial position or results of operations of the Group. It does, however, result in certain presentational changes in the presentation and disclosures of financial statements.

## 2. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents (i) the net invoiced value of goods sold, after allowances for returns and trade discounts; and (ii) the income from the rendering of film processing, photo-finishing services and technical services for photographic developing and processing products.

An analysis of revenue, other income and gains is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Revenue</b>		
Sale of goods	226,689	203,838
Income from the rendering of film processing, photo-finishing services and technical services	<u>114,148</u>	<u>121,446</u>
	<u><b>340,837</b></u>	<u><b>325,284</b></u>
<b>Other income and gains</b>		
Interest income	4,525	13,373
Gross rental income ( <i>note 3</i> )	8,664	7,438
Fair value gain on financial assets at fair value through profit or loss ( <i>note 3</i> )	25,900	–
Changes in fair value of investment properties	9,407	5,314
Dividend income from financial assets at fair value through profit or loss	3,324	8,925
Others	<u>811</u>	<u>478</u>
	<u><b>52,631</b></u>	<u><b>35,528</b></u>

### 3. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	<i>Note</i>	<b>2010</b> <b>HK\$'000</b>	2009 <i>HK\$'000</i>
Cost of inventories sold**		<b>181,660</b>	163,916
Cost of services provided**		<b>51,546</b>	52,817
Auditors' remuneration		<b>970</b>	960
Depreciation		<b>11,871</b>	14,236
Recognition of prepaid land lease payments		<b>209</b>	209
Minimum lease payments under operating leases on land and buildings		<b>36,427</b>	33,055
(Gain)/loss on disposal of items of property, plant and equipment		<b>59</b>	(777)
Write-back of provision against inventories**		<b>(1,021)</b>	(1,081)
Write-back of impairment of trade and bills receivables, net*		<b>(62)</b>	(429)
Write-back of accrued liabilities and other payables*		<b>–</b>	(1,341)
Impairment of items of property, plant and equipment*		<b>415</b>	–
Fair value (gain)/loss on financial assets at fair value through profit or loss***	2	<b>(25,900)</b>	68,585
Employee benefit expense ( <i>including directors'</i> <i>remuneration</i> ):			
Wages and salaries		<b>49,972</b>	48,942
Pension scheme contributions		<b>2,218</b>	2,334
Provision/(write-back of provision) for long service payments		<b>(1,778)</b>	428
Net pension scheme contributions		<b>440</b>	2,762
		<b>50,412</b>	51,704
Gross rental income	2	<b>(8,664)</b>	(7,438)
Direct expenses (including repairs and maintenance) arising on rental-earning investment properties		<b>468</b>	560
Net rental income		<b>(8,196)</b>	(6,878)
Foreign exchange differences, net		<b>868</b>	1,237

\* Included in "Other operating expenses, net" on the face of the consolidated income statement.

\*\* Included in "Cost of sales" on the face of the consolidated income statement.

\*\*\* In the prior year, the balance was included in "Other operating expenses, net" on the face of the consolidated income statement. In the current year, the balance was included in "Other income and gains" on the face of the consolidated income statement.

#### 4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in the People's Republic of China (the "PRC") have been calculated at the rates of tax prevailing in the location in which the Group operates.

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Group:		
Current – Hong Kong		
Charge for the year	1,985	860
Overprovision in prior years	(19)	–
Current – Mainland China	<u>627</u>	<u>864</u>
	2,593	1,724
Deferred	<u>3,530</u>	<u>4,084</u>
Total tax charge for the year	<u><u>6,123</u></u>	<u><u>5,808</u></u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the location in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. statutory tax rates) to the effective tax rates, are as follows:

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group – 2010			
Profit before tax	<u>44,026</u>	<u>8,300</u>	<u>52,326</u>
Statutory tax rates	16.5%	25%	
Tax at the statutory tax rates	7,264	2,075	9,339
Adjustments in respect of current tax of previous periods	(19)	–	(19)
Adjustments in respect of deferred tax of previous periods	744	1,152	1,896
Income not subject to tax	(1,341)	(880)	(2,221)
Expenses not deductible for tax	967	610	1,577
Tax losses not recognised	(62)	–	(62)
Tax losses utilised from previous periods	<u>(4,387)</u>	<u>–</u>	<u>(4,387)</u>
Tax charge at the Group's effective rate	<u><u>3,166</u></u>	<u><u>2,957</u></u>	<u><u>6,123</u></u>

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group – 2009			
Profit/(loss) before tax	<u>(41,566)</u>	<u>4,817</u>	<u>(36,749)</u>
Statutory tax rates	16.5%	25%	
Tax at the statutory tax rates	(6,858)	1,204	(5,654)
Effect on opening deferred tax of decrease in rates	(113)	–	(113)
Adjustments in respect of deferred tax of previous periods	(383)	952	569
Income not subject to tax	(3,985)	(87)	(4,072)
Expenses not deductible for tax	617	1,492	2,109
Derecognition of deferred tax assets	2,098	–	2,098
Tax losses not recognised	12,110	–	12,110
Tax losses utilised from previous periods	<u>(1,239)</u>	<u>–</u>	<u>(1,239)</u>
Tax charge at the Group's effective rate	<u>2,247</u>	<u>3,561</u>	<u>5,808</u>

## 5. DIVIDENDS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interim – HK1 cent (2009: HK1 cent) per ordinary share	<b>11,638</b>	11,638
Interim special – HK1.5 cents (2009: HK1 cent) per ordinary share	<b>17,457</b>	11,638
Proposed final – HK1.5 cents (2009: Nil) per ordinary share	<b>17,457</b>	–
Proposed final special – HK1 cent (2009: HK2 cents) per ordinary share	<u><b>11,638</b></u>	<u>23,276</u>
	<u><b>58,190</b></u>	<u>46,552</u>

The Board of Directors (the “Board”) has recommended a final dividend and a final special dividend for the year ended 31 March 2010, payable on 26 August 2010 to shareholders whose names appear on the register of members of the Company as at the close of business on 9 August 2010, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.



**6. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY**

**(a) Basic earnings/(loss) per share**

The calculation of basic earnings/(loss) per share is based on:

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>Earnings/(loss)</b>		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation	<u><b>44,971,000</b></u>	<u><b>(42,227,000)</b></u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	<u><b>1,163,828,377</b></u>	<u><b>1,163,828,377</b></u>

**(b) Diluted earnings/(loss) per share**

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 March 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

**7. TRADE AND BILLS RECEIVABLES**

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade and bills receivables	<b>123,788</b>	139,496
Impairment	<u><b>(115,354)</b></u>	<u><b>(127,419)</b></u>
	<u><b>8,434</b></u>	<u><b>12,077</b></u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 days, except for certain well-established customers where the terms are extended to 120 days. Each customer has a maximum credit limit pre-approved by senior management. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the payment due date and net of impairment, is as follows:

	<b>Group</b>	
	<b>2010</b>	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	8,427	12,071
4 to 6 months	7	5
7 to 9 months	-	1
	<u>8,434</u>	<u>12,077</u>

The movements in provision for impairment of trade and bills receivables are as follows:

	<b>Group</b>	
	<b>2010</b>	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April	127,419	127,878
Impairment losses recognised	-	230
Amount written off as uncollectible	(12,003)	(30)
Impairment losses reversed	(62)	(659)
	<u>115,354</u>	<u>127,419</u>
At 31 March	<u>115,354</u>	<u>127,419</u>

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade receivables of HK\$115,354,000 (2009: HK\$127,419,000) with a carrying amount before provision of HK\$115,354,000 (2009: HK\$127,419,000). The individually impaired trade and bills receivables relate to customers that were in financial difficulties or in default or delinquency in payments. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	<b>Group</b>	
	<b>2010</b>	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	5,022	8,006
Less than 1 month past due	3,134	3,804
1 month and over 1 month past due	278	267
	<u>8,434</u>	<u>12,077</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Company does not hold any collateral or other credit enhancements over these balances.

## 8. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the date of goods purchased and services rendered, is as follows:

	<b>Group</b>	
	<b>2010</b>	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	13,999	16,111
Over 3 months	382	1,634
	<u>14,381</u>	<u>17,745</u>

The Group's trade and bills payables are non-interest-bearing and are normally settled on 30-day terms.

## SEGMENT INFORMATION

### (a) Operating segments

	Merchandise		Service		Corporate and Others		Eliminations		Consolidated	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
<b>Segment revenue:</b>										
Sales to external customers	226,689	203,838	114,148	121,446	-	-	-	-	340,837	325,284
Intersegment sales	27,891	30,078	3,557	3,434	-	-	(31,448)	(33,512)	-	-
Other income and gains	-	-	-	-	48,106	22,155	-	-	48,106	22,155
Total	<u>254,580</u>	<u>233,916</u>	<u>117,705</u>	<u>124,880</u>	<u>48,106</u>	<u>22,155</u>	<u>(31,448)</u>	<u>(33,512)</u>	<u>388,943</u>	<u>347,439</u>
Segment results	<u>6,992</u>	<u>6,292</u>	<u>7,842</u>	<u>4,550</u>	<u>32,967</u>	<u>(60,964)</u>	<u>-</u>	<u>-</u>	<u>47,801</u>	<u>(50,122)</u>
Interest income and unallocated gains									4,525	13,373
Profit/(loss) before tax									52,326	(36,749)
Tax									(6,123)	(5,808)
Profit/(loss) for the year									<u>46,203</u>	<u>(42,557)</u>
<b>Assets and liabilities</b>										
Segment assets	53,667	63,041	46,242	53,336	352,950	328,990			452,859	445,367
Unallocated assets									588,427	615,574
Total assets									<u>1,041,286</u>	<u>1,060,941</u>
Segment liabilities	77,554	82,320	8,446	8,808	5,754	9,214			91,754	100,342
Unallocated liabilities									14,555	12,706
Total liabilities									<u>106,309</u>	<u>113,048</u>
<b>Other segment information:</b>										
Depreciation and recognition of prepaid land lease payments	3,478	4,004	5,677	7,297	2,925	3,144			12,080	14,445
Capital expenditure*	894	2,377	1,822	6,024	71	124			2,787	8,525
Changes in fair value of investment properties	-	-	-	-	(9,407)	(5,314)			(9,407)	(5,314)
Write-back of impairment of trade and bills receivables, net	(62)	(429)	-	-	-	-			(62)	(429)
Write-back of provision against inventories	<u>(1,021)</u>	<u>(1,081)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>			<u>(1,021)</u>	<u>(1,081)</u>

\* Capital expenditure consists of additions to property, plant and equipment.

(b) **Geographical information**

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Revenue from external customers</b>		
Hong Kong	<u>340,837</u>	<u>325,284</u>

The revenue information above is based on the location in which the Group operates.

	<b>2010</b>	<b>2009</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Non-current assets</b>		
Hong Kong	112,630	115,618
Mainland China	<u>97,294</u>	<u>93,862</u>
	<u>209,924</u>	<u>209,480</u>

The non-current asset information above is based on the location of assets and excludes deferred tax assets.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Revenue and Profit/Loss**

For the year ended 31 March 2010, the Group recorded total consolidated turnover of HK\$341 million. This represents an increase of 4.9% from 2009. There was a net profit attributable to shareholders of HK\$45 million, and earnings per share of HK3.86 cents. A final dividend of HK1.5 cents and a final special dividend of HK1 cent per share have been declared.

### **Merchandising**

Sales of instant products surged by 59.6% over the previous year, largely because of the buying power of younger shoppers who 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 the Group, they are getting guaranteed quality for the 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 brands 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.

## **Financial Resources**

The financial position of the Group remained sound and healthy during the period under review. As at 31 March 2010, the Group's cash and bank balances were approximately HK\$586 million with a zero gearing ratio. Trade receivables of HK\$8 million were recorded for the year, while inventories were HK\$34 million.

## **Outlook**

Given the experiences of the past year, the Group is broadly positive about its prospects for the coming 12 months. There have been recent signs of economic recovery, and the people of Hong Kong remain passionately committed to photography.

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. The Group intends 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. The Group is confident that this new service will fill an important and growing niche demand in Hong Kong, and offers good potential for profitability in the future.

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

In summary, the Group is confident that it can achieve its mission in the year to come. 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 reestablish its growth momentum.

### **Closure of Share Register**

The register of members will be closed from 10 August 2010 (Tuesday) to 13 August 2010 (Friday), both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining who is entitled to the proposed final dividend and the proposed final special dividend. In order to qualify for the proposed final dividend and the proposed final special dividend as well as attending to the Company's annual general meeting to be held on 13 August 2010, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 9 August 2010 (Monday).

### **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.

### **Audit Committee**

The Company has an audit committee (the "Committee") which was established in accordance with the Rules 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Committee comprises a total of four independent non-executive directors of the Company. The Group's financial statements for the year ended 31 March 2010 have been reviewed by the Committee, who are of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the directors, the Company had complied with the code provisions as set out in Appendix 14 of the Main Board Listing Rules (the "CG Code") throughout the year ended 31 March 2010, except that

- (1) The roles of Chairman and Chief Executive Officer have not been separated. Dr Sun Tai Lun, Dennis is the Chairman/Chief Executive Officer of the Company. The Board believes that vesting the role of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies; and
- (2) The non-executive directors have not entered into any service contract with the Company and are not appointed for a specific term but are subject to retirement by rotation at the Company's annual general meeting.



Full details on the subject of corporate governance are set out in the Company's 2010 Annual Report.

## **MEMBERS OF THE BOARD**

As of the date of this announcement, Dr Sun Tai Lun, Dennis is the chairman of the Board, Mr Sun Tao Hung, Stanley is the deputy chairman of the Board, Mr Tang Kwok Tong, Simon and Ms Ng Yuk Wah, Eileen are the executive directors. Mr Au Man Chung, Malcolm, Mr Li Ka Fai, David, Mr Liu Hui, Allan and Dr Wong Chi Yun, Allan are the independent non-executive directors.

On behalf of the Board

**Sun Tai Lun**

*Chairman*

HKSAR, 24 June 2010

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