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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 2011

HIGHLIGHTS

- Professional products maintain strong performance; sales up 69.4%
- New DocuXpress service records 61.9% growth in sales
- The Board of Directors recommends a final dividend of HK2 cents and a final special dividend of HK1 cent per share

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2011

	Notes	2011 HK\$'000	2010 HK\$'000
REVENUE	2	349,495	340,837
Cost of sales		<u>(231,308)</u>	<u>(232,185)</u>
Gross profit		118,187	108,652
Other income and gains	2	32,203	52,631
Selling and distribution costs		(57,676)	(53,691)
Advertising and marketing expenses		(22,358)	(9,628)
Administrative expenses		(44,952)	(45,285)
Other operating income/(expenses), net		<u>11</u>	<u>(353)</u>
PROFIT BEFORE TAX	3	25,415	52,326
Income tax expense	4	<u>(3,126)</u>	<u>(6,123)</u>
PROFIT FOR THE YEAR		<u><u>22,289</u></u>	<u><u>46,203</u></u>
Attributable to:			
Owners of the parent		22,518	44,971
Non-controlling interests		<u>(229)</u>	<u>1,232</u>
		<u><u>22,289</u></u>	<u><u>46,203</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	6		
Basic		<u><u>HK1.93 cents</u></u>	<u><u>HK3.86 cents</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2011

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>22,289</u>	<u>46,203</u>
OTHER COMPREHENSIVE LOSS		
Exchange differences on translation of foreign operations	<u>(1,020)</u>	<u>(6)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR	<u>(1,020)</u>	<u>(6)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>21,269</u>	<u>46,197</u>
Attributable to:		
Owners of the parent	21,498	44,965
Non-controlling interests	<u>(229)</u>	<u>1,232</u>
	<u>21,269</u>	<u>46,197</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2011

		31 March 2011	31 March 2010	1 April 2009
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i> (Restated)	<i>HK\$'000</i> (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		26,397	29,263	39,082
Investment properties		152,950	139,740	130,315
Goodwill		35,878	35,878	35,878
Rental deposits		5,661	5,252	4,414
Deferred tax assets		3,636	2,072	3,960
Total non-current assets		224,522	212,205	213,649
CURRENT ASSETS				
Inventories		60,141	34,346	39,637
Trade and bills receivables	7	12,934	8,434	12,077
Prepayments, deposits and other receivables		21,169	38,509	15,757
Financial assets at fair value through profit or loss		126,174	161,437	168,207
Tax recoverable		–	–	1,417
Cash and cash equivalents		582,482	586,355	610,197
Total current assets		802,900	829,081	847,292
CURRENT LIABILITIES				
Trade and bills payables	8	22,278	14,381	17,745
Accrued liabilities and other payables		72,698	61,893	63,935
Tax payable		1,609	207	–
Total current liabilities		96,585	76,481	81,680
NET CURRENT ASSETS		706,315	752,600	765,612
TOTAL ASSETS LESS CURRENT LIABILITIES		930,837	964,805	979,261
NON-CURRENT LIABILITIES				
Accrued liabilities		9,492	15,480	18,662
Deferred tax liabilities		17,470	14,348	12,706
Total non-current liabilities		26,962	29,828	31,368
Net assets		903,875	934,977	947,893
EQUITY				
Equity attributable to owners of the parent				
Issued capital		116,383	116,383	116,383
Reserves		742,725	779,417	792,642
Proposed final dividend	5	23,276	17,457	–
Proposed final special dividend	5	11,638	11,638	23,276
Non-controlling interests		894,022	924,895	932,301
		9,853	10,082	15,592
Total equity		903,875	934,977	947,893

NOTES:

1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

China-Hongkong Photo Products Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) have 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 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i>
Improvements to HKFRSs 2009	<i>Amendments to a number of HKFRSs issued in May 2009</i>
HK Interpretation 4 Amendment	<i>Amendment to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
HK Interpretation 5	<i>Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause</i>

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009) and HK Interpretation 5, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

- (a) Improvements to *HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:
- *HKAS 7 Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this Interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

The Group has reassessed its leases in Hong Kong and Mainland China, previously classified as operating leases, upon the adoption of the amendments. As substantially all the risks and rewards associated with the leases in Hong Kong have been transferred to the Group, the leases in Hong Kong have been reclassified from operating leases under “prepaid land lease payments” to finance leases under “property, plant and equipment”. The corresponding amortisation has also been reclassified to depreciation. Leasehold land and buildings situated in Mainland China cannot be allocated reliably between the land and building elements, and therefore the entire lease payment is included in the cost of leasehold land and buildings as finance leases.

The effects of the above changes are summarised below:

	2011 <i>HK\$’000</i>	2010 <i>HK\$’000</i>
<i>Consolidated income statement for the year ended 31 March</i>		
Decrease in amortisation of prepaid land lease payments	(209)	(209)
Increase in depreciation of property, plant and equipment	209	209
	<u>–</u>	<u>–</u>
<i>Consolidated statement of financial position at 31 March</i>		
Decrease in prepaid land lease payments, net	(2,644)	(2,853)
Increase in property, plant and equipment, net	2,644	2,853
	<u>–</u>	<u>–</u>
<i>Consolidated statement of financial position at 1 April 2009</i>		
Decrease in prepaid land lease payments, net		(3,062)
Increase in property, plant and equipment, net		3,062
		<u>–</u>

Due to the retrospective application of the amendments which has resulted in the restatement of items in the consolidated statement of financial position, a consolidated statement of financial position as at 1 April 2009, and the related notes affected by the amendments have been presented in these financial statements.

(b) *HK Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

HK Interpretation 5 concludes that loans subject to loan agreements which include a clause that gives the lender an unconditional right to call the loan at any time shall be classified by the borrower as current in its statement of financial position. As the Group did not have any loan classified as non-current which is subject to a repayment on demand clause, the adoption of this interpretation has had no effect on the financial position of the Group.

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:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Revenue		
Sale of goods	237,714	226,689
Income from the rendering of film processing, photo-finishing services and technical services	<u>111,781</u>	<u>114,148</u>
	<u>349,495</u>	<u>340,837</u>
Other income and gains		
Interest income	4,232	4,525
Gross rental income (<i>note 3</i>)	7,568	8,664
Fair value gain on financial assets at fair value through profit or loss (<i>note 3</i>)	3,966	25,900
Changes in fair value of investment properties	12,385	9,407
Dividend income from financial assets at fair value through profit or loss	–	3,324
Subsidy income	2,681	–
Others	<u>1,371</u>	<u>811</u>
	<u>32,203</u>	<u>52,631</u>

3. PROFIT BEFORE TAX

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

	<i>Note</i>	2011 HK\$'000	2010 <i>HK\$'000</i> (Restated)
Cost of inventories sold**		176,001	181,660
Cost of services provided**		55,141	51,546
Auditors' remuneration		1,038	970
Depreciation		10,571	12,080
Minimum lease payments under operating leases on land and buildings		36,558	36,427
(Gain)/loss on disposal of items of property, plant and equipment		(83)	59
Provision for/(write-back of provision against) inventories**		166	(1,021)
Write-back of impairment of trade and bills receivables, net*		(11)	(62)
Impairment of items of property plant and equipment*		–	415
Fair value gain on financial assets at fair value through profit or loss	2	3,966	25,900
Employee benefit expense (<i>including directors'</i> <i>remuneration</i>):			
Wages and salaries		52,746	49,972
Pension scheme contributions		2,315	2,218
Write-back of provision for long service payments		(364)	(1,778)
Net pension scheme contributions		1,951	440
		54,697	50,412
Gross rental income	2	(7,568)	(8,664)
Direct expenses (<i>including repairs and maintenance</i>) arising on rental-earning investment properties		452	468
Net rental income		(7,116)	(8,196)
Foreign exchange differences, net		(462)	868

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

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

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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.

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Group:		
Current – Hong Kong		
Charge for the year	1,252	1,985
Overprovision in prior years	(319)	(19)
Current – Mainland China	635	627
	1,568	2,593
Deferred	1,558	3,530
Total tax charge for the year	3,126	6,123

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the locations 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 – 2011			
Profit before tax	16,521	8,894	25,415
Statutory tax rates	16.5%	25%	
Tax at the statutory tax rates	2,726	2,224	4,950
Adjustments in respect of current tax of previous periods	(319)	–	(319)
Adjustments in respect of deferred tax of previous periods	(3,342)	2,573	(769)
Income not subject to tax	(1,396)	(781)	(2,177)
Expenses not deductible for tax	195	1,384	1,579
Tax losses not recognised	1,519	207	1,726
Tax losses utilised from previous periods	(1,864)	–	(1,864)
Tax charge/(credit) at the Group's effective rate	(2,481)	5,607	3,126

	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>3,166</u>	<u>2,957</u>	<u>6,123</u>

5. DIVIDENDS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interim – nil (2010: HK1 cent) per ordinary share	–	11,638
Interim special – HK2 cents (2010: HK1.5 cents) per ordinary share	23,276	17,457
Proposed final – HK2 cents (2010: HK1.5 cents) per ordinary share	23,276	17,457
Proposed final special – HK1 cent (2010: HK1 cent) per ordinary share	<u>11,638</u>	<u>11,638</u>
	<u>58,190</u>	<u>58,190</u>

The proposed final dividend and the proposed final special dividend for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

6. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic earnings per share

The calculation of basic earnings per share is based on:

	Group	
	2011	2010
	HK\$	HK\$
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<u>22,518,000</u>	<u>44,971,000</u>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>1,163,828,377</u>	<u>1,163,828,377</u>

(b) Diluted earnings per share

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2011 and 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

7. TRADE AND BILLS RECEIVABLES

	Group	
	2011	2010
	HK\$'000	HK\$'000
Trade and bills receivables	128,330	123,788
Impairment	<u>(115,396)</u>	<u>(115,354)</u>
	<u>12,934</u>	<u>8,434</u>

The Group's trading terms with its customers are either on cash basis or on credit. For credit sales, 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:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Current to 3 months	12,934	8,427
4 to 6 months	-	7
	<u>12,934</u>	<u>8,434</u>

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

	Group	
	2011	2010
	HK\$'000	HK\$'000
At 1 April	115,354	127,419
Amount written off as uncollectible	(129)	(12,003)
Impairment losses reversed	(11)	(62)
Exchange realignment	182	-
	<u>115,396</u>	<u>115,354</u>

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade receivables of HK\$115,396,000 (2010: HK\$115,354,000) with a carrying amount before provision of HK\$115,396,000 (2010: HK\$115,354,000). 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:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Neither past due nor impaired	9,827	5,022
Less than 1 month past due	2,990	3,134
1 month and over 1 month past due	117	278
	<u>12,934</u>	<u>8,434</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. The carrying amounts of the Group's trade and bills receivables approximate to their fair values.

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:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Current to 3 months	22,240	13,999
Over 3 months	38	382
	<u>22,278</u>	<u>14,381</u>

The Group's trade and bills payables are non-interest-bearing and are normally settled on 30-day terms. The carrying amounts of the Group's trade and bills payables approximate to their fair values.

OPERATING SEGMENT INFORMATION

(a) Operating segments

	Merchandise		Service		Investment		Corporate and Others		Eliminations		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	237,714	226,689	111,781	114,148	-	-	-	-	-	-	349,495	340,837
Intersegment sales	29,215	27,891	3,425	3,557	-	-	-	-	(32,640)	(31,448)	-	-
Other income and gains	2,681	-	-	-	24,121	47,295	1,169	811	-	-	27,971	48,106
Total	<u>269,610</u>	<u>254,580</u>	<u>115,206</u>	<u>117,705</u>	<u>24,121</u>	<u>47,295</u>	<u>1,169</u>	<u>811</u>	<u>(32,640)</u>	<u>(31,448)</u>	<u>377,466</u>	<u>388,943</u>
Segment results	<u>9,485</u>	<u>10,172</u>	<u>(2,362)</u>	<u>3,508</u>	<u>12,011</u>	<u>40,506</u>	<u>2,049</u>	<u>(6,385)</u>	<u>-</u>	<u>-</u>	<u>21,183</u>	<u>47,801</u>
Interest income and unallocated gains											4,232	4,525
Profit before tax											25,415	52,326
Tax											(3,126)	(6,123)
Profit for the year											<u>22,289</u>	<u>46,203</u>

	Merchandise		Service		Investment		Corporate and Others		Consolidated	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Assets and liabilities										
Segment assets	96,458	52,996	44,868	46,913	281,664	303,818	18,314	49,132	441,304	452,859
Unallocated assets									586,118	588,427
Total assets									<u>1,027,422</u>	<u>1,041,286</u>
Segment liabilities	67,169	53,164	5,642	4,634	10,729	7,880	20,928	26,076	104,468	91,754
Unallocated liabilities									19,079	14,555
Total liabilities									<u>123,547</u>	<u>106,309</u>
Other segment information:										
Depreciation	2,982	3,478	4,605	5,677	-	-	2,984	2,925	10,571	12,080
Capital expenditure*	3,604	894	3,614	1,822	-	-	368	71	7,586	2,787
Changes in fair value of investment properties	-	-	-	-	(12,385)	(9,407)	-	-	(12,385)	(9,407)
Write-back of impairment of trade and bills receivables, net	(11)	(62)	-	-	-	-	-	-	(11)	(62)
Provision for/(write-back of provision against) inventories	166	(1,021)	-	-	-	-	-	-	166	(1,021)

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

(b) Geographical information

	Group	
	2011 HK\$'000	2010 HK\$'000
Revenue from external customers		
Hong Kong	<u>349,495</u>	<u>340,837</u>

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

	2011	2010
	HK\$'000	HK\$'000 (Restated)
Non-current assets		
Hong Kong	114,357	112,839
Mainland China	<u>106,529</u>	<u>97,294</u>
	<u>220,886</u>	<u>210,133</u>

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

(c) Information about a major customer

Revenue of approximately HK\$35,564,500 (2010: HK\$14,463,000) was derived from sales by the merchandise segment to a single customer.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and Profit

For the year ended 31 March 2011, the Group recorded total consolidated turnover of HK\$349 million. This represents an increase of 2.5% from 2010. There was a net profit attributable to shareholders of HK\$23 million, and basic earnings per share of HK1.93 cents. A final dividend of HK2 cents and a final special dividend of HK1 cent per share have been proposed.

Merchandising

Photographic Products

Sales of instant products fell by 16.1% over the year, resulting primarily from stock shortage at the supplier's end. This impacted the Group's ability to supply instant products at a pace that could keep up with demand which remains high particularly among young people.

Digital product sales increased by 30% due to the ongoing launches of new digital camera models throughout the year. The innovative new FinePix REAL 3D was launched to strong demand.

Sales of professional products increased by 69.4%. The Group attributed this to the fact that more people now prefer using professional images for significant events.

Skincare Products

Following the opening of its first flagship Fujifilm Beauty store in Central in September 2010, the Group has continued to open skincare stores in premium strategic locations and sales have shown satisfactory progress. The Group also introduced online ordering in February 2011, enabling customers to order conveniently from home and then pick up their purchases at any Fujifilm Beauty or Fotomax shops.

The Fujifilm skincare product line primarily comprises the ASTALIFT beauty series, which is becoming more popular following a number of awards and recognitions it has received since its launch. Meanwhile, the collagen drink Collagen 10000 has earned a name for itself as the drink with the highest collagen level among other similar products available in Hong Kong.

Photofinishing and Technical Services

Revenue from photofinishing services fell slightly, by 3%, compared to the previous year due to the ongoing decline in print processing of digital files. The Group processed a total of 49.1 million prints over the year, a decrease of 14.3% from the previous year.

Personalized gifts in the Fun2Print range, on the other hand, continued to be a good source of revenue for the Group, with sales holding steady across the year. In particular, sales of Fotobook items for the year rose by 5.8%. In addition, the new DocuXpress service, fully launched in September 2010, recorded 61.9% growth in sales against those of a similar range of separate services offered in the previous year.

Brand Management

The Group's strengths and market leadership are partly built on its acquisition and strategic handling of brands. During the year, the Group worked to maximise the public's awareness of several exceptional new FinePix cameras coming into the market, highlighting their quality and the many awards won by them. A series of television ads were shown on several Hong Kong channels including TVB HD Jade, J2, Cable TV and now TV, backed by newspaper and magazine placements as well as outdoor billboards at shopping centres. The Group also specifically promoted the advanced FinePix X100 through billboard advertising as well as other channels. Increased sales for the digital camera range are expected in the coming year as a result of these initiatives.

In order to strengthen the Group's image as a specialised store for personalised imaging gifts, the Group seized the golden season of Christmas and marketed its Fun2Print and Fotobook services. A series of promotion was conducted with strong emphasis on calendars and Christmas cards. The Group also launched a new website (www.fotobook.com.hk) to inspire Fotobook users and provide them with resources, ideas and online gift ordering facilities. As a result, online calendar sales rose 327.8% over the previous year. Furthermore, Fotomax member sales accounted for 31.9% of the total sales of imaging gifts in the year. The total number of FMX club members stands at over 300,000, of whom more than 180,000 are active.

The Group dedicated significant resources to launch and drive awareness of its new skincare line in Hong Kong by employing extensive media, outdoor, MTR and mall advertising. The Group also conducted marketing campaigns for specific Fujifilm Beauty outlets through direct mailing, iPhone apps downloading and the Fujifilm Beauty Club website, where members earn points from buying Fujifilm products that can be redeemed for a wide range of gifts.

Financial Resources

The financial position of the Group remained sound and healthy during the period under review. As at 31 March 2011, the Group's cash and bank balances were approximately HK\$582 million with a zero gearing ratio. Trade receivables of HK\$13 million were recorded at the end of the reporting period, while inventories were HK\$60 million.

Outlook

The outlook for the Group in the coming year is mostly positive. The recent launch of the new skincare range has diversified its business, and the Group is confident that it will soon represent a significant growth area of the Group. Meanwhile, the Group's traditional businesses of merchandising, photofinishing and technical services performed steadily throughout the year, giving the Group a very solid foundation for further growth.

The Group continues to enjoy some very powerful advantages that are keeping it at the forefront of the industry in Hong Kong. However, the Group does anticipate some challenges in the year ahead, such as rapidly rising property values and rent and the introduction of the new Minimum Wage Ordinance. To counterbalance these cost increments, the Group will be running a number of new initiatives that should cut costs, boost efficiency and stimulate new businesses.

The Group is expecting the FinePix X100, its flagship model, to drive significant sales of the Group's digital camera range in the coming year. The Group is also lining up the launches of several more quality cameras that the Group expects to be very popular.

The Group's image gift business has plenty of potential, and to realise this, the Group will increase its exposure. DocuXpress service is an area that still holds great promise, and the Group will continue to promote the advantages of DocuXpress heavily in the coming year. The Group will also be looking to promote mobile document solutions via mobile Apps for users of iPhones, Windows phones and Android phones, making DocuXpress a truly mobile service.

This year the Group is looking to consolidate its online activities and develop a Fujifilm Brand Concept Shop in the form of a single online platform for all its relevant products and services. This will bring everything together into a single, convenient online shopping and redemption programme for its customers.

Closure of Share Register

The Annual General Meeting of the Company is scheduled on Friday, 12 August 2011. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Wednesday, 10 August 2011 to Friday, 12 August 2011, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 9 August 2011.

The proposed final dividend and the proposed final special dividend are subject to the approval of the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend and the proposed final special dividend is 19 August 2011. For determining the entitlement to the proposed final dividend and the proposed final special dividend, the register of members of the Company will be closed on both days of Thursday, 18 August 2011 and Friday, 19 August 2011, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and the proposed final special dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, at the above address, for registration not later than 4:30 p.m. on Wednesday, 17 August 2011. The final dividend and the final special dividend will be paid on 8 September 2011.

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 2011 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 has 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 2011, except that

- (1) The roles of Chairman and Chief Executive Officer have not been separated. Dr Sun Tai Lun, Dennis is the Chairman and 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 2011 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, Dennis
Chairman

HKSAR, 22 June 2011

<http://www.chinahkphoto.com.hk>