CHKP

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 AUDITED RESULT FOR THE YEAR ENDED 31 MARCH 2007

HIGHLIGHTS

- Net profit attributable to shareholders recorded phenomenal growth of 81.6% to HK$219 million
- Online sales recorded strong growth of 33%
- Strong performance from Fun2Print business
- The Board of Directors recommended a final dividend of HK5.2 cents per share

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	2	**827,204**	1,250,595
Cost of sales		**(616,354)**	(1,003,439)
Gross profit		**210,850**	247,156
Other income and gains	2	**44,720**	24,550
Settlement income	3	**140,400**	–
Selling and distribution costs		**(59,941)**	(66,155)
Advertising and marketing expenses		**(17,155)**	(16,036)
Administrative expenses		**(84,919)**	(67,367)
Other operating expenses		**(241)**	(2,676)
Share of profit of an associate		**–**	1,027
PROFIT BEFORE TAX	4	**233,714**	120,499
Tax	5	**(14,979)**	100
PROFIT FOR THE YEAR		**218,735**	120,599
Attributable to:			
Equity holders of the Company		**218,824**	120,496
Minority interests		**(89)**	103
		218,735	120,599
DIVIDENDS	6		
Interim		**44,225**	25,604
Proposed final		**60,519**	48,881
		104,744	74,485
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		**18.80 cents**	10.35 cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**50,434**	98,176
Investment properties		**103,248**	35,958
Prepaid land lease payments		**3,271**	9,109
Goodwill		**35,878**	35,878
Interest in an associate		**–**	9,607
Rental deposits		**6,045**	5,907
Time deposits		**–**	38,785
Deferred tax assets		**5,597**	11,720
Total non-current assets		**204,473**	245,140
CURRENT ASSETS			
Inventories		**22,789**	143,546
Trade and bills receivables	*8*	**18,601**	86,697
Prepayments, deposits and other receivables		**24,370**	27,360
Tax recoverable		**2,687**	–
Cash and cash equivalents		**965,257**	617,420
Total current assets		**1,033,704**	875,023
CURRENT LIABILITIES			
Trade and bills payables	*9*	**16,609**	49,836
Accrued liabilities and other payables		**88,320**	82,682
Tax payable		**–**	7,089
Total current liabilities		**104,929**	139,607
NET CURRENT ASSETS		**928,775**	735,416
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,133,248**	980,556

	2007	2006
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Provision for long service payments	**2,739**	2,810
Deferred tax liabilities	**5,624**	2,088
Total non-current liabilities	**8,363**	4,898
Net assets	**1,124,885**	975,658
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**116,383**	116,383
Reserves	**931,896**	794,218
Proposed final dividend	**60,519**	48,881
	1,108,798	959,482
Minority interests	**16,087**	16,176
Total equity	**1,124,885**	975,658

NOTES:

1. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

China-Hongkong Photo Products Holdings Limited and its subsidiaries (the "Group") has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 "The Effects of Changes in Foreign Exchange Rates"

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms a part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 March 2007 or 31 March 2006.

(b) HKAS 39 "Financial Instruments: Recognition and Measurement"

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue". The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(c) **HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease"**

The Group has adopted this interpretation as of 1 April 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. The adoption of this interpretation has had no effect on these 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 and photo-finishing services.

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

	2007	2006
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**702,058**	1,123,222
Income from the rendering of film processing and photo-finishing services	**125,146**	127,373
	827,204	1,250,595
Other income and gains		
Interest income	**31,508**	14,666
Gross rental income	**2,367**	2,506
Subsidies from a supplier	**458**	5,265
Gain on disposal of an associate	**6,774**	–
Others	**3,613**	2,113
	44,720	24,550

3. SETTLEMENT INCOME

On 30 June 2006, the Group entered into an agreement with a major supplier to terminate certain distributorship agreements with certain subsidiaries of the Group with effect from 20 October 2006 (the "Termination Agreement"). Pursuant to the Termination Agreement, the Group ceased to be the distributor of certain products of this major supplier and received the settlement income from this major supplier during the year.

4. PROFIT BEFORE TAX

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

	2007	2006
	HK$'000	*HK$'000*
Cost of inventories sold	**591,067**	934,397
Cost of services provided	**53,979**	64,513
Auditors' remuneration	**1,100**	1,200
Depreciation	**18,852**	21,492
Reversal of impairment on items of property, plant and equipment*	**(3,102)**	–
Recognition of prepaid land lease payments	**690**	690
Minimum lease payments under operating leases on land and buildings	**31,782**	32,961
Loss/(gain) on disposal of items of property, plant and equipment*	**(354)**	1,198
Provision/(write-back of provision) against inventories**	**(28,692)**	4,529
Impairment on trade receivables*	**1,293**	578
Impairment on an other receivable*	**1,000**	–
Bad debts recovered*	**(1,568)**	–
Changes in fair value of investment properties*	**2,972**	900
Employee benefits expense (including directors' remuneration)		
Wages and salaries	**60,449**	72,652
Pension scheme contributions	**2,553**	2,754
Provision for long service payments	**162**	615
Less: Forfeited contributions***	**–**	–
Net pension scheme contributions	**2,715**	3,369
	63,164	76,021
Gross rental income	**(2,367)**	(2,506)
Direct expenses (including repairs and maintenance) arising on rental-earning investment properties	**1,123**	383
Net rental income	**(1,244)**	(2,123)
Foreign exchange differences, net	**(1,443)**	(2,568)

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

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

*** As at 31 March 2007, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2006: Nil).

5. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) 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, based on existing legislation, interpretations and practices in respect thereof.

	2007	2006
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**4,933**	7,191
Overprovision in prior years	**(374)**	(1,722)
Current – Mainland China	**3,818**	238
	8,377	5,707
Deferred	**6,602**	(5,807)
Total tax charge/(credit) for the year	**14,979**	(100)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax using the statutory rates for the location in which the Company and its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rates is as follows:

Group – 2007

	Hong Kong	**Mainland China**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	228,545	5,169	233,714
Statutory tax rate	17.5%	33%	
Tax at the statutory tax rate	39,995	1,706	41,701
Adjustments in respect of current tax of previous periods	(374)	–	(374)
Adjustments in respect of deferred tax of previous periods	503	(35)	468
Derecognition of deferred tax assets	6,824	–	6,824
Income not subject to tax	(33,354)	(1)	(33,355)
Expenses not deductible for tax	1,190	1,832	3,022
Tax losses utilised from previous periods	(3,307)	–	(3,307)
Tax charge at the Group's effective rate	11,477	3,502	14,979

Group – 2006

	Hong Kong	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
Profit/(loss) before tax	129,076	(8,577)	120,499
Statutory tax rate	17.5%	33%	
Tax at the statutory tax rate	22,588	(2,830)	19,758
Adjustments in respect of current tax of previous periods	(1,722)	–	(1,722)
Adjustments in respect of deferred tax of previous periods	(5,944)	1,405	(4,539)
Profits attributable to an associate	–	(339)	(339)
Income not subject to tax	(2,956)	(44)	(3,000)
Expenses not deductible for tax	393	3,450	3,843
Tax losses utilised from previous periods	(14,101)	–	(14,101)
Tax charge/(credit) at the Group's effective rate	(1,742)	1,642	(100)

6. DIVIDENDS

	2007	2006
	HK$'000	*HK$'000*
Interim – HK3.8 cents (2006: HK2.2 cents) per ordinary share	**44,225**	25,604
Proposed final – HK5.2 cents (2006: HK4.2 cents) per ordinary share	**60,519**	48,881
	104,744	74,485

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

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic earnings per share

The calculation of basic earnings per share is based on:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company	**218,824,000**	120,496,000
Shares		
Weighted average number of ordinary shares in issue during the year	**1,163,828,377**	1,163,828,377

(b) Diluted earnings per share

Diluted earnings per share amounts for the years ended 31 March 2007 and 2006 have not been disclosed as no diluting event existed during the years ended 31 March 2007 and 2006.

8. TRADE AND BILLS RECEIVABLES

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 balance sheet date, based on the payment due date and net of impairment, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Current to 3 months	**16,686**	80,311
4 to 6 months	**808**	4,128
7 to 9 months	**43**	357
Over 9 months	**1,064**	1,901
	18,601	86,697

The Group's trade and bills receivables are non-interest-bearing and their carrying amounts approximate to their fair values.

9. TRADE AND BILLS PAYABLES

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Current to 3 months	**11,498**	45,401
Over 3 months	**5,111**	4,435
	16,609	49,836

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

SEGMENT INFORMATION

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

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 developing, processing and printing products;

(b) the retail segment engages in the provision of film processing, photo-finishing services and the sale of photographic merchandise through retail outlets; and

(c) the corporate and others segment comprises the Group's investment property business 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 a mark-up of approximately 25% (2006: 28%).

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information of the Group's business segments for the years ended 31 March 2007 and 2006.

	Wholesale segment		Retail segment		Corporate and Others		Eliminations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	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 and service income	**656,959**	1,070,916	**170,245**	179,679	**–**	–	**–**	–	**827,204**	1,250,595
Intersegment sales	**35,722**	48,317	**–**	–	**–**	–	**(35,722)**	(48,317)	**–**	–
Other income and gains	**747**	6,326	**3,314**	1,052	**2,377**	2,506	**–**	–	**6,438**	9,884
Total	**693,428**	1,125,559	**173,559**	180,731	**2,377**	2,506	**(35,722)**	(48,317)	**833,642**	1,260,479
Segment results	**55,581**	106,002	**2,435**	3,010	**(2,984)**	(4,206)	**–**	–	**55,032**	104,806
Interest income and unallocated gains									**38,282**	14,666
Settlement income	**140,400**	–	**–**	–	**–**	–	**–**	–	**140,400**	–
Share of profit of an associate	**–**	1,027	**–**	–	**–**	–	**–**	–	**–**	1,027
Profit before tax									**233,714**	120,499
Tax									**(14,979)**	100
Profit for the year									**218,735**	120,599

	Wholesale segment		Retail segment		Corporate and Others		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities								
Segment assets	**126,499**	289,005	**87,814**	103,501	**50,323**	50,125	**264,636**	442,631
Interest in an associate	**–**	9,607	**–**	–	**–**	–	**–**	9,607
Unallocated assets							**973,541**	667,925
Total assets							**1,238,177**	1,120,163
Segment liabilities	**76,807**	99,371	**22,042**	27,638	**8,819**	8,319	**107,668**	135,328
Unallocated liabilities							**5,624**	9,177
Total liabilities							**113,292**	144,505
Other segment information:								
Depreciation and recognition of prepaid land lease payments	**4,160**	5,686	**13,540**	13,890	**1,842**	2,606	**19,542**	22,182
Reversal of impairment on items of property, plant and equipment	**(3,102)**	–	**–**	–	**–**	–	**(3,102)**	–
Capital expenditure	**1,258**	2,154	**7,030**	5,254	**565**	34	**8,853**	7,442
Changes in fair value of investment properties	**–**	–	**–**	–	**2,972**	900	**2,972**	900
Impairment on trade and bills receivables	**1,293**	578	**–**	–	**–**	–	**1,293**	578
Impairment on an other receivable	**1,000**	–	**–**	–	**–**	–	**1,000**	–
Provision/(write-back of provision) against inventories	**(28,600)**	4,865	**(92)**	(336)	**–**	–	**(28,692)**	4,529

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information of the Group's geographical segments for the years ended 31 March 2007 and 2006.

	Hong Kong		**Mainland China**		**Consolidated**	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers and service income	**650,636**	1,036,597	**176,568**	213,998	**827,204**	1,250,595
Other segment information:						
Segment assets	**1,110,504**	906,491	**127,673**	213,672	**1,238,177**	1,120,163
Capital expenditure	**8,826**	7,180	**27**	262	**8,853**	7,442

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and Profit

The Group's total revenue for the year ended 31 March 2007 was HK$827 million, a drop of 33.9% compared with 2006. A net profit attributable to shareholders of HK$219 million was recorded, an 81.6% increase over the previous year. Earnings per share was HK18.8 cents.

Wholesale

With the transformation of imaging from analogue to digital, total sales of film continued to fall, recording a decrease of 34.4% compared to the previous fiscal year. However, instant products recorded a strong growth of 28.2%. Aggregate sales of digital cameras were up by 9.1% due to the quality and superior functions of the Group's products, such as ultra-high sensitivity and quick-shooting response features. In the coming year, the Group envisages a continued upsurge in the economy which will result in increased consumer confidence and a rise in the propensity to buy, boding well for consumption of the digital market. The Group expects more people will be drawn to state-of-the-art, high quality digital products.

During the fiscal year, increased consumer demand for printing with photographic paper and digital minilabs contributed to a 5.4% growth in total sales of photofinishing products. Building on our commitment to quality and leveraging off the brand equity of the Group's photofinishing and equipment offerings, we foresee continued growth in this area.

Retail

In the past fiscal year, the Group added one outlet to the Fotomax shops network, bringing the total number of shops in Hong Kong to 91. Total sales of the retail segment decreased by 4.8%, reflecting the reduced demand for traditional film products. As the market moves towards high-quality digital prints, the core business of Fotomax has undergone a transition from film to digital printing. Sales and quantity of digital output have overtaken that of film products. In the year under review, we saw a 10% total growth in the volume of digital printing. We expect to see continued growth of sales in digital printing over the next year, reflecting the overall market transition from film to digital printing.

The new Digital Kiosk, a compact and smart computer-assisted terminal, allows customers to order digital prints themselves with just a few touches on a touch-screen monitor. The kiosk installation plan was successfully implemented in the fiscal year of 2006 in response to the continued upsurge in demand for digital photo services. During the past year, the Group installed 66 new Digital Kiosks, bringing the total number of kiosks to 180. Print orders received from Digital Kiosks increased by 50% and they have become the preferred method of photographic printing.

New media is touching daily life on an increasing basis and most customers are now familiar with internet services and online payment schemes. The Group has therefore upgraded the functionality and usability of *Fotomax.com.* A re-launch scheme in 2005 offered a one-stop platform for digital photos and gift items. Since then, the number of members' registrations has continued to grow. In the year under review, online sales grew by 33%. We expect to see this trend continue in coming years as more and more customers adopt the online platform.

The Group actively looks for market expansion and has identified a number of new growth areas targeting specific customer segments such as schools, commercial corporations and associations. We actively promoted one-stop photography services to these new customer clusters, which resulted in a sales increase of 24% in the past fiscal year. Total sales of Fun2Print also increased by 153% compared with the previous year.

Brand Management

Strong brand management drives continuous growth by building and reinforcing long-term customer loyalty. During the year under review, strategic campaigns through public relations, advertising and promotional activities were implemented which delivered high impact images and messages to our targeted audiences.

For the wholesale business, the Group successfully leveraged Fujifilm's sponsorship of the 2006 FIFA World Cup Germany™, which provided unparalleled exposure of our brand globally through the world's most-watched sports event of the year. In Hong Kong, wholesale promotions featuring premiums with the FIFA World Cup logo proved to be highly popular. To stimulate the sales of photographic paper, locally-created cartoon characters "Panchi and Nana" were featured in the summer promotion. In addition, a HK$1 redemption promotion was also conducted to boost the sales of photofinishing products during the Christmas season. To create synergies for the Group's digital cameras and services, developing and photofinishing service lucky draw promotions were launched during Chinese New Year offering consumers the chance to win the popular FinePix digital camera. To increase market share and draw attention to our digital cameras, eye-catching advertisements were placed in various formats including print advertisements, outdoor billboards and MTR panels. Outdoor media panels, over 23,000 square feet, were displayed in prime areas across Hong Kong to raise brand awareness of our digital cameras. Effective trade promotions in collaboration with several leading dealers in the Hong Kong retail market were also undertaken.

As a leader of photofinishing retail chain stores, Fotomax plays a major role in helping customers capture and preserve their most memorable moments, positioning itself as a caring and sensitive photo services provider. Several popular cartoon characters including Pingu, Keroro, Hello Kitty and Hanadeka were adopted during the year under review to stimulate the sales of digital photographic printing. A thematic promotional campaign featuring a photographic competition was launched to further strengthen its leading position in the digital business. More than 20,000 pieces of the Fotomax Photo Tips booklets were distributed to customers during the campaign.

Financial Resources

The Group's cash and bank balances as at 31 March 2007 has recorded a growth of 47.1% to HK$965 million (2006: HK$656 million) with a zero gearing ratio. The Group continued to take every measure to extend work efficiency. During the fiscal year, advertising and marketing expenses were HK$17 million and administrative expenses were HK$85 million. Trade receivables decreased by 78.5% to HK$19 million for the year, while inventory decreased remarkably by 84.1% to HK$23 million because of prudent management of trade receivables and inventory. The Group had 365 employees (2006: 477), 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.

Outlook

Positive signals of economic growth in China and the continual influx of tourists from Mainland China have been very encouraging signs for the photo imaging business. In view of the 2008 Olympic Games in China which will bring worldwide attention to the region and draw significant numbers of additional visitors, we remain optimistic about continued business prospects. The Group will continue to leverage the opportunities created by the boom in tourism to Hong Kong. In addition, the Group is exploring possible acquisitions of young and energetic retailers in the digital and technology business and will continue to foster expansion of its established digital imaging services.

RE-DESIGNATION OF DIRECTORS

The board of directors (the "Board") of China-Hongkong Photo Products Holdings Limited (the "Company") is pleased to announce that Mr. Liu Hui, Allan ("Mr. Liu") and Ms. Chiang Yun, Rachel ("Ms. Chiang") the non-executive directors of the Company, have been re-designated as independent non-executive directors of the Company with effect from 28th June 2007.

Mr. Liu Hui Allan, aged 50, was appointed as an independent non-executive director of the Company on 18 July 2000 and re-designated as a non-executive director on 8 December 2005. He is also a member of Audit Committee of the Company. Saved as disclosed herein, Mr. Liu has not held any other position with the Group or member of the Group.

Mr. Liu is currently managing partner of ARC Capital Partners Ltd., a private equity manager with approximately US$580 million under management, focused on investing in consumer and retail companies in China and the rest of Asia. Previously, Mr. Liu was the president and board member of The China Retail Fund LDC, an international direct investment fund sponsored by American International Group ("AIG") in cooperation with the former Ministry of Internal Trade ("MOIT") of the People's Republic of China ("PRC"). The fund invested in retail and retail related distribution business in the PRC with proven international retailers and distribution companies. Mr. Liu has had over 23 years of experience in foreign direct investments in China, especially in the consumer and retail sectors, both in PRC government and private sector capacities.

Other than the above, Mr. Liu did not have directorship held in listed public companies in the last three years.

Mr. Liu has not entered into any service contract with the Company and he has not been appointed for a specific term but is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws.

Mr. Liu was entitled to receive a director's fee of HK$90,000 for the year ended 31 March 2007. The Board will determine the director's fee of Mr. Liu with reference to his duties and responsibilities with the Company.

Mr. Liu has no relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

As at the date of this announcement, Mr. Liu does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

There is no information which is discloseable pursuant to any of the requirements of the provisions under 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

Saved as disclosed herein, there are no other matters relating to his re-designation that need to be brought to the attention of the Shareholders under Rule 13.51(2) of the Listing Rules.

Ms. Chiang Yun Rachel, aged 39, was appointed as an independent non-executive director of the Company on 18 July 2000 and re-designated as a non-executive director on 8 December 2005. She is also a member of Audit Committee of the Company. Saved as disclosed herein, Ms. Chiang has not held any other position with the Group or member of the Group.

Ms. Chiang is the managing director of ARC Capital Partners Ltd., which manages funds investing in consumer and retail sectors in Asia. Prior to that, Ms. Chiang was the vice president of AIG Global Investment Corporation (Asia) Ltd. Ms. Chiang holds a Bachelor of Science degree from the Virginia Polytechnic Institute and State University, USA and a Master of Business Administration degree from the Kellogg Graduate School of Management at the Northwestern University, USA.

Other than the above, Ms. Chiang did not have directorship held in listed public companies in the last three years.

Ms. Chiang has not entered into any service contract with the Company and she has not been appointed for a specific term but is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws.

Ms. Chiang was entitled to receive a director's fee of HK$90,000 for the year ended 31 March 2007. The Board will determine the director's fee of Ms. Chiang with reference to her duties and responsibilities with the Company.

Ms. Chiang has no relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

As at the date of this announcement, Ms. Chiang does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

There is no information which is discloseable pursuant to any of the requirements of the provisions under 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

Saved as disclosed herein, there are no other matters relating to her re-designation that need to be brought to the attention of the Shareholders under Rule 13.51(2) of the Listing Rules.

CLOSURE OF SHARE REGISTER

The register of members will be closed from 14 August 2007 (Tuesday) to 17 August 2007 (Friday), both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining who is entitled to the final dividends and to attend the Company's annual general meeting to be held on 17 August 2007 (Friday). In order to qualify for the proposed final dividends, all transfers accompanied by the relevant share certificates must be lodged with Tengis Limited, the Hong Kong Branch Registrars of the Company, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 13 August 2007 (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 five independent non-executive directors of the Company after the re-designation of directors on 28 June 2007. The Group's financial statements for the year ended 31 March 2007 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 end 31 March 2007, 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 personal provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

(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; and

(3) No written guidelines have been established for employees in respect of their dealings in the securities of the Company as only the directors are likely to be in possession of unpublished price-sensitive information of the Company.

Full details on the subject of corporate governance are set out in the Company's 2007 Annual Report.

In compliance with the code provisions of the CG Code which came into force on 1 January 2005, the Company had set up a Remuneration Committee with terms of reference which are in line with the CG Code. The Remuneration Committee comprises one executive director, Dr. Sun Tai Lun, Dennis and two independent non-executive directors, Mr. Au Man Chung, Malcolm and Dr. Wong Chi Yun, Allan. Mr. Au Man Chung, Malcolm is the chairman of the Remuneration Committee.

MEMBERS OF THE BOARD

As of the date of this announcement, Dr. Sun Tai Lun, Dennis is the chairman of the Board, Mr. Tang Kwok Tong, Simon, Ms. Ng Yuk Wah, Eileen and Mr. Sun Tao Hung, Stanley are the executive directors. Mr. Au Man Chung, Malcolm, Ms. Chiang Yun, Rachel, 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, 28 June 2007