

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011**

HIGHLIGHTS

- Consolidated turnover increases 34.6% to HK\$232 million; Group achieves net profit of HK\$4.2 million
- Digital camera sales soars 93.4% while Fotobook sales records impressive growth of 70.8%
- Interim special dividend of HK2 cents declared

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2011

	<i>Notes</i>	For the six months ended 30 September	
		2011	2010
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	3	231,671	172,069
Cost of sales		(160,615)	(116,186)
Gross profit		71,056	55,883
Other income and gains	4	36,196	5,948
Fair value loss on financial assets at fair value through profit or loss		(4,379)	(572)
Selling and distribution costs		(30,656)	(26,344)
Advertising and marketing expenses		(18,239)	(7,126)
Administrative expenses		(22,925)	(21,985)
Other operating income/(expense), net		(132)	59

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the six months ended 30 September 2011

		For the six months ended 30 September	
	Notes	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
PROFIT BEFORE TAX	5	30,921	5,863
Income tax expense	6	<u>(26,709)</u>	<u>(710)</u>
PROFIT FOR THE PERIOD		<u><u>4,212</u></u>	<u><u>5,153</u></u>
Attributable to:			
Ordinary equity holders of the Company		4,336	5,268
Non-controlling interests		<u>(124)</u>	<u>(115)</u>
		<u><u>4,212</u></u>	<u><u>5,153</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u><u>HK0.37 cent</u></u>	<u><u>HK0.45 cent</u></u>
Diluted		<u><u>HK0.37 cent</u></u>	<u><u>HK0.45 cent</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

		For the six months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD		<u><u>4,212</u></u>	<u><u>5,153</u></u>
OTHER COMPREHENSIVE EXPENSE			
Exchange differences on translation of foreign operations		<u>(1,373)</u>	<u>–</u>
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD		<u>(1,373)</u>	<u>–</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>2,839</u></u>	<u><u>5,153</u></u>
ATTRIBUTABLE TO:			
Ordinary equity holders of the Company		2,963	5,268
Non-controlling interests		<u>(124)</u>	<u>(115)</u>
		<u><u>2,839</u></u>	<u><u>5,153</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2011

	<i>Notes</i>	30 September 2011 (Unaudited) <i>HK\$'000</i>	31 March 2011 (Audited) <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		25,635	26,397
Investment properties		152,950	152,950
Goodwill		35,878	35,878
Rental deposits		7,333	5,661
Deferred tax assets		1,489	3,636
Total non-current assets		223,285	224,522
CURRENT ASSETS			
Inventories		71,920	60,141
Trade and bills receivables	9	17,762	12,934
Prepayments, deposits and other receivables		56,780	21,169
Financial assets at fair value through profit or loss		121,795	126,174
Tax recoverable		9,546	–
Cash and cash equivalents		494,810	582,482
Total current assets		772,613	802,900
CURRENT LIABILITIES			
Trade and bills payables	10	17,867	22,278
Accrued liabilities and other payables		44,649	72,698
Tax payable		35,009	1,609
Interim special dividend payable		23,276	–
Total current liabilities		120,801	96,585
NET CURRENT ASSETS		651,812	706,315
TOTAL ASSETS LESS CURRENT LIABILITIES		875,097	930,837
NON-CURRENT LIABILITIES			
Accrued liabilities		9,103	9,492
Deferred tax liabilities		17,470	17,470
Total non-current liabilities		26,573	26,962
Net assets		848,524	903,875
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		116,383	116,383
Reserves		722,412	742,725
Proposed final dividend		–	23,276
Proposed final special dividend		–	11,638
		838,795	894,022
Non-controlling interests		9,729	9,853
Total equity		848,524	903,875

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2011

1. ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements of China-Hongkong Photo Products Holdings Limited (the “Company”) and its subsidiaries (collectively known as the “Group”) for the six months ended 30 September 2011 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2011, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) as disclosed in note 2.1 to the interim condensed consolidated financial statements.

2.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period’s financial statements.

HKAS 24 (Revised)	<i>Related Party Disclosures</i>
Amendments to HK(IFRIC)-Int 14	<i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

Apart from the above, the Hong Kong Institute of Certified Public Accountants has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Amendments to HKFRS 1, HKFRS 3, HKFRS 7, HKAS 1, HKAS 27, HKAS 34 and HK(IFRIC)-Int 13 are effective for the reporting period.

The adoption of the above new and revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated interim financial statements.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these interim financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adoptors</i> ¹
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> ¹
HKFRS 9	<i>Financial Instruments</i> ⁴
HKFRS 10	<i>Consolidated Financial Statements</i> ⁴
HKFRS 11	<i>Joint Arrangements</i> ⁴
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> ⁴

HKFRS 13	<i>Fair Value Measurement</i> ⁴
HKAS 1 (Revised)	HKAS 1 (Revised) <i>Presentation of Financial Statement</i> ³
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> ²
HKAS 19 (2011)	<i>Employee Benefits</i> ⁴
HKAS 27 (2011)	<i>Separate Financial Statements</i> ⁴
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> ⁴

¹ *Effective for annual periods beginning on or after 1 July 2011*

² *Effective for annual periods beginning on or after 1 January 2012*

³ *Effective for annual periods beginning on or after 1 July 2012*

⁴ *Effective for annual periods beginning on or after 1 January 2013*

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application and is not yet in a position to state whether these new and revised HKFRSs have any significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the merchandise segment engages in the marketing and distribution of photographic developing, processing and printing products and sale of photographic merchandises and skincare products;
- (b) the service segment engages in the provision of film processing, photo-finishing services and technical services for photographic developing and processing products;
- (c) the investment segment comprises the Group's business in investment funds and investment properties; and
- (d) the corporate and others segment comprises the Group's corporate income and expense items and other investment businesses.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income is excluded from such measurement.

Intersegment sales and transfers are transacted at cost plus a mark-up of approximately 21% (2010: 21%).

The following table presents revenue and profit/(loss) of the Group's operating segments for the six months ended 30 September 2011 and 2010.

	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	175,406	115,433	56,265	56,636	-	-	-	-	-	-	231,671	172,069
Intersegment sales	13,706	14,659	2,547	2,400	-	-	-	-	(16,253)	(17,059)	-	-
Other income and gains	28,095	-	-	-	4,534	3,735	1,235	25	-	-	33,864	3,760
Total	<u>217,207</u>	<u>130,092</u>	<u>58,812</u>	<u>59,036</u>	<u>4,534</u>	<u>3,735</u>	<u>1,235</u>	<u>25</u>	<u>(16,253)</u>	<u>(17,059)</u>	<u>265,535</u>	<u>175,829</u>
Segment results	<u>33,587</u>	<u>3,882</u>	<u>286</u>	<u>1,773</u>	<u>(2,441)</u>	<u>1,173</u>	<u>(2,843)</u>	<u>(3,153)</u>	<u>-</u>	<u>-</u>	<u>28,589</u>	<u>3,675</u>
Interest income											<u>2,332</u>	<u>2,188</u>
Profit before tax											<u>30,921</u>	<u>5,863</u>
Income tax											<u>(26,709)</u>	<u>(710)</u>
Profit for the period											<u>4,212</u>	<u>5,153</u>

During the period, the Group performed a review on its businesses and rationalised the allocation for certain expenses to the respective reporting segments. Accordingly, certain comparative amounts have been reclassified to conform to the current period's presentation.

4. OTHER INCOME AND GAINS

	Note	For the six months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Rental income		4,534	3,735
Interest income		2,332	2,188
Promotion subsidies from a supplier		2,548	-
Reversal of accrued expenses		1,483	-
Reversal of provisions	12	24,064	-
Foreign exchange difference		911	-
Others		324	25
		<u>36,196</u>	<u>5,948</u>

5. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	(2,332)	(2,188)
Loss/(gain) on disposal of items of property, plant and equipment [^]	132	(53)
Cost of inventories sold*	135,461	89,641
Cost of services provided*	25,154	26,545
Depreciation	5,081	5,280
Write-back of impairment of trade and bills receivables [^]	—	(6)
	<u> </u>	<u> </u>

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

[^] Included in "Other operating income/(expense), net" on the face of the condensed consolidated income statement.

6. INCOME TAX

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the year	2,346	1,155
Underprovision in prior years*	21,755	—
Current – Mainland China	461	382
Deferred	2,147	(827)
	<u> </u>	<u> </u>
Total tax charge for the period	<u>26,709</u>	<u>710</u>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the period after offsetting certain amounts of the tax losses carried forward by certain subsidiaries of the Group. Taxes on profits assessable in the People's Republic of China have been calculated at the rates of tax prevailing in the location in which the Group operates.

* In prior periods, the Inland Revenue Department ("IRD") issued various enquiry letters to the Group in relation to the setting off of tax losses totally HK\$232 million which were carried forward by certain wholly-owned subsidiaries of the Group from prior periods. The Group had been gathering relevant information to support the setting off of these tax losses. The directors were of the opinion that there was adequate evidence to support the position of the Group and it was premature to draw a conclusion on the possible outcome of the enquiry, thus no provision was made. Such matters have been disclosed as a contingent liability in prior reporting periods.

During the period, the Group and the IRD have advanced the discussion and it is possible that a compromise settlement for the dispute may be reached. Since the discussion is in the final stage, management estimated that a net tax liability of HK\$21,755,000 would arise under the compromise settlement. Accordingly, tax provision of HK\$21,755,000 was made at the end of the reporting period.

7. DIVIDEND

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim special – HK2 cents (six months ended 30 September 2010: HK2 cents) per ordinary share	<u>23,276</u>	<u>23,276</u>

At a meeting of the board of directors held on 23 November 2011, the directors resolved to pay on 19 January 2012 (Thursday) an interim special dividend of HK2 cents per ordinary share to shareholders whose names appear on the register of members of the Company on 6 January 2012 (Friday).

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

(a) Basic earnings per share

The calculations of the basic earnings per share for the six months ended 30 September 2011 and 2010 are based on:

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<u>4,336</u>	<u>5,268</u>
Shares:		
Weighted average number of ordinary shares in issue during the period used in 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 six months ended 30 September 2011 and 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2011 and 2010.

9. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are either on a 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.

An aged analysis of the Group's 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:

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Current to 3 months	<u>17,762</u>	<u>12,934</u>

10. TRADE AND BILLS PAYABLES

An aged analysis of the Group's 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:

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Current to 3 months	17,401	22,240
Over 3 months	<u>466</u>	<u>38</u>
	<u>17,867</u>	<u>22,278</u>

11. RELATED PARTY TRANSACTIONS

The Group's compensation of key management personnel are as follows:

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Short term employee benefits	3,099	3,000
Post-employment benefits	<u>24</u>	<u>24</u>
Total compensation paid to key management personnel	<u>3,123</u>	<u>3,024</u>

12. EVENT AFTER THE REPORTING PERIOD

In prior years, the Group had fully provided for certain long outstanding accounts receivables of HK\$115,148,000 on sales (the “Sales”) to certain customers, even though efforts to recover the amount had never ceased.

After the end of reporting period in November 2011, the Group reached a settlement agreement with these customers who agreed to settle a total of HK\$38,000,000 by installments. Such amount would be recognised upon receipt of each installment payment. Furthermore, both the Group and these customers agreed to discharge the other party of any other obligations related to the Sales. As a result, the Group had reversed certain provisions related to the Sales in the amount of HK\$24,064,000 made in prior years during this period.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2011, the Group generated turnover of HK\$232 million, representing an increase of 34.6% over the HK\$172 million recorded in the same period last year. Other than the stable growth of turnover, the proposed compromise settlement made with the Inland Revenue Department and the settlement agreement reached with certain customers during and after the end of the period under review also brought certain degree of financial impact to the Group for the period. Details of such financial impact were included in the notes 6 and 12 to the financial statements. The Group recorded net profit of HK\$4.2 million. Earnings per share was HK0.37 cent.

BUSINESS REVIEW

Merchandising

Photographic Products

The newly launched FinePix digital camera series enjoyed a strong reception from customers who need exceptional quality and advanced technology. Sales of digital cameras rocketed 93.4% over the same period last year, which was mainly driven by the two most popular FinePix products, the FinePix X100 and FinePix REAL 3D W3.

Instant cameras continued to be popular across the region for capturing memorable moments. Sales of instant products registered growth of 42.2%.

Skincare Products

Although the Group is still in the investment stage for its newly launched skincare brand, “FUJIFILM beauty”, the line showed steady growth during the period under review. The Group currently operates 7 beauty outlets, most of which are located in popular shopping malls around the region.

The Group’s extensive marketing efforts increased the visibility of “FUJIFILM beauty” in the skincare market, and they also helped restore customer confidence quickly after the earthquake in Japan in early 2011. The award-winning ASTALIFT Jelly Aquarysta was the best-selling product in the range, contributing 26.6% of the total sales of the Group’s skincare products, followed by the Collagen Drink 10000, which contributed 24.1%.

The Group also introduced a new ASTALIFT whitening series, which like all other products in the range was developed using advanced technology and unique natural ingredients. Their efficacy as antioxidants and skin whiteners received good word of mouth that pushed sales, particularly during summertime.

Photofinishing and Technical Services

The Group operates 80 Fotomax stores in the region, one more than the same time last year. An average of three digital kiosks was installed in each store to facilitate the ordering process for photofinishing services.

Photo enthusiasts still like to share printed copies of their images, and the Group's Fotobook and Fun2Print personalised gift items meet the needs of these customers well. As a result, sales of Fotobook and Fun2Print items recorded impressive growth of 70.8% and 6.4% respectively compared to the same period last year.

Meanwhile, the Group's one-stop document solution, DocuXpress, which was launched in mid-2010, recorded satisfactory growth of 62.4% in sales as compared to the total sales of similar services provided over the same period last year.

BRAND MANAGEMENT

The FinePix X100 was the star focus for the Group, which supported it with the launch of a series of effective marketing campaigns under the theme "Wandering Photographing". These appeared in TV commercials, outdoor billboards and MTR lightboxes, generating significant publicity. The Group also carried out several conferences for product launches that increased the products' public appeal, as well as the launch of a photography sharing conference, "Fujifilm FinePix X100 'You snap your mind'".

To show support to the victims of the Japan earthquake and tsunami, the Group held a charity auction for the first FinePix X100 in Hong Kong, which carried serial number 11H00001. The winning bid of HK\$100,000 was wholly passed to the Hong Kong Red Cross for disaster relief and reconstruction in affected areas.

Brand management efforts for the Group's Fotomax photofinishing services included broadening its product range and improving the fulfillment process to increase store traffic, drive transactions and expand the customer base.

The Group participated in the Hong Kong Book Fair and collaborated with a famous local publisher to introduce the trend of electronic books ("e-books") and promote its "Easy Order Software". In addition, the Group demonstrated the usefulness of its DocuXpress service to students and readers in the e-book era. The Group also previewed the coming launch of "Easy Print App", which supports online printing from the most popular smartphone platforms in the market.

Regarding the Group's newly launched skincare brand, "FUJIFILM beauty", two series of TV commercials called "Skincare Revolution" – focusing on the well-known Collagen Drink 10000 as well as the anti-oxidation effect of the Group's skincare range – were broadcasted on popular TV and media channels.

Furthermore, integrated marketing campaigns like joint promotions with shopping malls, lightbox advertisements at MTR stations, and printed advertisements placed in popular feminine magazines and newspapers, successfully continued to build the “FUJIFILM beauty” brand.

The Group organised a skincare conference that enlisted local celebrities to share their experiences using FUJIFILM beauty. There were also several new product launch conferences held during the period under review.

In recognition of the quality of the Group’s skincare products, fashion magazine Marie Claire named FUJIFILM beauty’s Collagen Drink 10000 one of the “Summer Top 5 Intake Beauty Supplements”, and iVoCe called” ASTALIFT Jelly Aquarysta the “No.1 Serum of 2011”.

FINANCIAL RESOURCES

The financial position of the Group remained sound and healthy during the period under review. As at 30 September 2011, the Group’s cash and bank balances were approximately HK\$495 million with a zero gearing ratio. Trade receivables of HK\$18 million were recorded for the period, while inventory was HK\$72 million.

OUTLOOK

The Group is cautiously optimistic about the outlook for its business in the period ahead. Although the European debt crisis has weakened consumer sentiment, the Group believes that its exceptional marketing and promotional efforts during the first half of the financial year will have a pronounced impact on its business in the long run. Also, inbound tourism will undoubtedly remain a vibrant contributor to Hong Kong retail given the steadily increasing purchasing power of Mainland customers. The Group believes its products and services will benefit as a result.

To cope with rising rents and the recently implemented new minimum wage, the Group continues to practise prudent cost controls. The Group will also continue to strengthen back-end support for its online business to streamline logistics.

For photographic products, another high-end digital camera model, the FinePix X10, was introduced to the market after the period end. Along with the FinePix X100, the newly launched FinePix X10 is anticipated to be another success.

In photofinishing services, the Group will further strengthen its position as the leader in the industry for the region by introducing the pioneer ‘Easy Print App’ to provide customers with the capability to access documents and photos from websites and popular cloud services and submit print orders online to the Fotomax retail print network.

In the skincare product business, a series of new product launches will be undertaken in the period ahead and proactive marketing campaigns will be important for the Group’s efforts to maximise the exposure of “FUJIFILM beauty”.

CLOSURE OF SHARE REGISTER

The register of members will be closed from 3 January 2012 (Tuesday) to 6 January 2012 (Friday), both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining who is entitled to the interim special dividend. In order to qualify for the proposed interim special dividend, 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 26th Floor Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 30 December 2011 (Friday).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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 unaudited interim financial statements for the period ended 30 September 2011 have been reviewed by the Committee, which is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made. In addition, Messrs Ernst & Young, have also reviewed the aforesaid unaudited interim financial information.

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 period ended 30 September 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 independent 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 2010/2011 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 at the date of this announcement, the directors of the Company are:

Executive Directors:

Dr SUN Tai Lun, Dennis (*Chairman*)

Mr SUN Tao Hung, Stanley (*Deputy Chairman*)

Ms NG Yuk Wah, Eileen

Mr TANG Kwok Tong, Simon

Independent Non-executive Directors:

Mr AU Man Chung, Malcolm

Mr LI Ka Fai, David

Mr LIU Hui, Allan

Dr WONG Chi Yun, Allan

On behalf of the Board

Sun Tai Lun

Chairman

HKSAR, 23 November 2011

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