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 RESULTS FOR THE YEAR ENDED 31 MARCH 2013

HIGHLIGHTS

- Sales of instant products soared 95.9%
- Sales of skincare products gradually increased by 28.9%
- Sales from photofinishing achieved a satisfactory growth of 3.8%
- Board of Directors recommended final dividend of HK2 cents and final special dividend of HK1.5 cents per share

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
REVENUE	2	**475,629**	436,448
Cost of sales		**(333,193)**	(300,920)
Gross profit		**142,436**	135,528
Other income and gains, net	2	**16,420**	21,288
Changes in fair value of investment properties		**27,950**	15,375
Reversal of provisions	7	**–**	24,064
Write-back of impairment of trade and bills receivables, net	7	**–**	38,000
Selling and distribution costs		**(62,634)**	(62,827)
Advertising and marketing expenses		**(35,464)**	(42,219)
Administrative expenses		**(48,435)**	(58,074)
Other operating (expense)/income, net		**(5)**	8,366

	Notes	**2013** **HK$'000**	2012 HK$'000
PROFIT BEFORE TAX	3	**40,268**	79,501
Income tax expense	4	**(7,703)**	(34,814)
PROFIT FOR THE YEAR		**32,565**	44,687
Attributable to:			
Owners of the parent		**32,565**	44,687
Non-controlling interests		**–**	–
		32,565	44,687
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	6		
Basic		**HK2.80 cents**	HK3.84 cents
Diluted		**HK2.80 cents**	HK3.84 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	2013	2012
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**32,565**	44,687
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations	**677**	2,129
Reclassification adjustment on exchange differences upon deregistration of foreign subsidiaries	**–**	(6,925)
Gain on revaluation on a leasehold land and building immediately before the transfer to an investment property	**–**	6,284
Income tax effect	**–**	(1,571)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**677**	(83)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**33,242**	44,604
Attributable to:		
Owners of the parent	**33,242**	44,604
Non-controlling interests	**–**	–
	33,242	44,604

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**28,961**	31,031
Investment properties		**197,945**	169,690
Goodwill		**35,878**	35,878
Interest in an associate		**600**	–
Rental deposits		**5,690**	6,515
Held-to-maturity investment		**–**	5,950
Deferred tax assets		**33**	114
Total non-current assets		**269,107**	249,178
CURRENT ASSETS			
Inventories		**103,889**	118,600
Trade and bills receivables	*7*	**22,856**	30,382
Prepayments, deposits and other receivables		**11,342**	13,419
Tax recoverable		**13**	1,053
Held-to-maturity investment		**6,019**	–
Cash and bank balances		**542,147**	583,674
Total current assets		**686,266**	747,128
CURRENT LIABILITIES			
Trade and bills payables	*8*	**28,237**	26,860
Accrued liabilities and other payables		**40,067**	46,317
Tax payable		**11,180**	8,643
Total current liabilities		**79,484**	81,820
NET CURRENT ASSETS		**606,782**	665,308
TOTAL ASSETS LESS CURRENT LIABILITIES		**875,889**	914,486

	Notes	**2013**	2012
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Accrued liabilities		**7,624**	11,867
Deferred tax liabilities		**23,493**	21,261
Total non-current liabilities		**31,117**	33,128
Net assets		**844,772**	881,358
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**116,383**	116,383
Reserves		**687,656**	718,423
Proposed final dividend	*5*	**23,276**	29,095
Proposed final special dividend	*5*	**17,457**	17,457
		844,772	881,358
Non-controlling interests		**–**	–
Total equity		**844,772**	881,358

NOTES:

1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

China-Hongkong Photo Products Holdings Limited (the "Company") and its subsidiaries (collectively 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 (Amendment)	*Severe hyperinflation and removal of fixed dates for first– time adopters*
HKFRS 7 (Amendment)	*Disclosures – Transfers of financial assets*

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 consolidated financial statements.

2. REVENUE, OTHER INCOME AND GAINS, NET

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) income from the rendering of film processing, photofinishing services and technical services for photographic developing and processing products.

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

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**363,946**	325,290
Income from the rendering of film processing, photofinishing services and technical services	**111,683**	111,158
	475,629	436,448
Other income and gains, net		
Interest income	**6,655**	5,158
Gross rental income *(note 3)*	**8,167**	7,451
Fair value loss on financial assets at fair value through profit or loss	**–**	(4,510)
Reversal of accrued expenses	**–**	2,967
Promotion subsidies from a supplier	**–**	4,951
Others	**1,598**	5,271
	16,420	21,288

3. PROFIT BEFORE TAX

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

	Note	**2013**	2012
		HK$'000	*HK$'000*
Cost of inventories sold[1]		**276,720**	247,041
Cost of services provided[1]		**52,063**	50,981
Auditors' remuneration		**1,180**	1,038
Depreciation		**9,201**	10,977
Minimum lease payments under operating leases on land and buildings		**41,234**	43,196
Gain on disposal of items of property, plant and equipment		**(167)**	(751)
Provision for inventories[1]		**4,410**	2,898
Impairment of items of property, plant and equipment[2]		**–**	3,143
Impairment of other receivables[2]		**–**	3,950
Gain on deregistration of subsidiaries[2]		**–**	(15,459)
Employee benefit expense (including directors' remuneration):			
Wages and salaries		**62,253**	55,182
Pension scheme contributions		**2,714**	2,395
(Write-back of provision)/provision for long service payments		**(229)**	526
Net pension scheme contributions		**2,485**	2,921
		64,738	58,103
Gross rental income	*2*	**(8,167)**	(7,451)
Direct expenses (including repairs and maintenance) arising on rental-earning investment properties		**909**	395
Net rental income		**(7,258)**	(7,056)
Foreign exchange differences, net		**(765)**	(2,488)

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

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

4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in the Mainland China have been calculated at the rates of tax prevailing in the location in which the Group operates.

	2013	2012
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**4,343**	5,936
Under provision in prior years[1]	**366**	22,050
Current – Mainland China	**681**	164
	5,390	28,150
Deferred	**2,313**	6,664
Total tax charge for the year	**7,703**	34,814

[1] Prior to the year ended 31 March 2012, the Inland Revenue Department ("IRD") issued various enquiry letters to the Group in relation to the setting off of tax losses totalling HK$232 million which were carried forward by certain wholly-owned subsidiaries ("the Subsidiaries") of the Group from prior years. As the directors considered then that it was premature to draw a conclusion on the possible outcome of the enquiries during prior years, no provision was made and such matters were disclosed as a contingent liability in prior years.

During the year ended 31 March 2012, the Group and the IRD entered into a compromise settlement with regard to the above tax enquiries and a net tax liability of HK$22 million arose under the compromise settlement. Accordingly, tax provision of HK$22 million was made and included in "under provision in prior years" for the year ended 31 March 2012. In addition, tax losses of HK$150 million sustained by the Subsidiaries are allowed to be carried forward to offset against future taxable profits of those Subsidiaries. Such tax losses have no expiry date. Deferred tax assets have not been recognised in respect of these losses as they are arisen from the Subsidiaries with uncertain future operating profit streams.

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 *HK$'000*	**Mainland China** *HK$'000*	**Total** *HK$'000*
Group – 2013			
Profit before tax	**30,419**	**9,849**	**40,268**
Statutory tax rates	**16.5%**	**25%**	
Tax at the statutory tax rates	**5,019**	**2,462**	**7,481**
Adjustments in respect of current tax of previous periods	**366**	**–**	**366**
Income not subject to tax	**(4,325)**	**–**	**(4,325)**
Expenses not deductible for tax	**591**	**344**	**935**
Tax losses not recognised	**3,375**	**17**	**3,392**
Tax losses utilised from previous periods	**(146)**	**–**	**(146)**
Tax charge at the Group's effective rate	**4,880**	**2,823**	**7,703**

	Hong Kong *HK$'000*	Mainland China *HK$'000*	Total *HK$'000*
Group – 2012			
Profit before tax	62,557	16,944	79,501
Statutory tax rates	16.5%	25%	
Tax at the statutory tax rates	10,322	4,236	14,558
Adjustments in respect of current tax of previous periods	22,050	–	22,050
Adjustments in respect of deferred tax of previous periods	3,986	(461)	3,525
Income not subject to tax	(19,535)	(4,336)	(23,871)
Expenses not deductible for tax	2,715	2,529	5,244
Tax losses not recognised	14,685	132	14,817
Tax losses utilised from previous periods	(1,509)	–	(1,509)
Tax charge at the Group's effective rate	32,714	2,100	34,814

5. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Interim special – HK2 cents (2012: HK2 cents) per ordinary share	**23,276**	23,276
Proposed final – HK2 cents (2012: HK2.5 cents) per ordinary share	**23,276**	29,095
Proposed final special – HK1.5 cents (2012: HK1.5 cents) per ordinary share	**17,457**	17,457
	64,009	69,828

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	
	2013	2012
	HK$	*HK$*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**32,565,000**	44,687,000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,163,828,377**	1,163,828,377

(b) Diluted earnings per share

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2013 and 2012 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 2013 HK$'000	2012 HK$'000
Trade and bills receivables	**23,583**	31,101
Impairment	**(727)**	(719)
	22,856	30,382

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. 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 2013 HK$'000	2012 HK$'000
Current to 3 months	**22,268**	24,356
Over 3 months	**588**	6,026
	22,856	30,382

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

	Group 2013 HK$'000	2012 HK$'000
At 1 April	**719**	115,396
Amount written off as uncollectible	**–**	(77,148)
Impairment losses recovered[1]	**–**	(38,000)
Exchange realignment	**8**	471
At 31 March	**727**	719

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade receivables of HK$727,000 (2012: HK$719,000) which aged over 1 year with an aggregate carrying amount before provision of HK$727,000 (2012: HK$719,000). 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.

[1] In prior years, the Group had fully provided for certain long outstanding trade receivables of HK$115,148,000 on sales (the "Sales") to certain customers, even though efforts to recover the amount had never ceased.

During the year ended 31 March 2012, the Group reached a settlement agreement with these customers whereby an amount of HK$38,000,000 was recovered.

Furthermore, in connection with the settlement agreement, 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 that had been made in prior years related to the Sales in the amount of HK$24,064,000 for the year ended 31 March 2012.

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Neither past due nor impaired	**17,890**	20,321
Less than 1 month past due	**3,528**	3,500
1 month and over 1 month past due	**1,438**	6,561
	22,856	30,382

Receivables that were neither past due nor impaired relate to a large number of diversified customers for which 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 their fair values.

8. TRADE AND BILLS PAYABLES

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Current to 3 months	**27,901**	26,568
Over 3 months	**336**	292
	28,237	26,860

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 their fair values.

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 the sale of photographic merchandise and skincare products;

(b) the service segment engages in the provision of film processing, photofinishing services and technical services for photographic developing and processing products;

(c) the investment segment comprises the Group's businesses 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.

The chief operating decision maker of the Group has been identified as the Board of directors. The Board of directors 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. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income and unallocated gains are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, cash and bank balances and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted at cost plus a mark-up of approximately 24% (2012: 22%).

(a) Operating segments

	Merchandise		Service		Investment		Corporate and Others		Eliminations		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	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	**363,946**	325,290	**111,683**	111,158	**-**	–	**-**	–	**-**	–	**475,629**	436,448
Intersegment sales	**30,387**	33,286	**3,218**	3,400	**-**	–	**-**	–	**(33,605)**	(36,686)	**-**	–
Other income and gains, net	**36**	68,498	**606**	3,431	**35,398**	22,373	**43,076**	34,691	**(41,401)**	(35,424)	**37,715**	93,569
Total	**394,369**	427,074	**115,507**	117,989	**35,398**	22,373	**43,076**	34,691	**(75,006)**	(72,110)	**513,344**	530,017
Segment results	**4,344**	51,585	**1,616**	4,221	**31,271**	17,861	**(3,618)**	676	**-**	–	**33,613**	74,343
Interest income and unallocated gains											**6,655**	5,158
Profit before tax											**40,268**	79,501
Income tax expense											**(7,703)**	(34,814)
Profit for the year											**32,565**	44,687

	Merchandise		Service		Investment		Corporate and Others		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities										
Segment assets	**145,319**	169,198	**46,289**	47,645	**214,349**	184,951	**7,223**	9,671	**413,180**	411,465
Unallocated assets									**542,193**	584,841
Total assets									**955,373**	996,306
Segment liabilities	**44,845**	46,485	**5,367**	5,746	**10,007**	8,479	**15,709**	24,334	**75,928**	85,044
Unallocated liabilities									**34,673**	29,904
Total liabilities									**110,601**	114,948
Other segment information:										
Depreciation	**2,264**	2,132	**5,450**	4,908	**-**	–	**1,487**	3,937	**9,201**	10,977
Capital expenditure [1]	**4,310**	6,228	**2,444**	6,741	**-**	–	**401**	1,717	**7,155**	14,686
Changes in fair value of investment properties	**-**	–	**-**	–	**(27,950)**	(15,375)	**-**	–	**(27,950)**	(15,375)
Impairment of items of property, plant and equipment	**-**	–	**-**	–	**-**	–	**-**	3,143	**-**	3,143
Impairment of other receivables	**-**	–	**-**	–	**-**	–	**-**	3,950	**-**	3,950
Provision for inventories	**4,410**	2,898	**-**	–	**-**	–	**-**	–	**4,410**	2,898

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

(b) Geographical information

	Group	
	2013	2012
	HK$'000	*HK$'000*
<u>Revenue from external customers</u>		
Hong Kong	**475,629**	436,448

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

	2013	2012
	HK$'000	*HK$'000*
<u>Non-current assets</u>		
Hong Kong	**151,033**	142,578
Mainland China	**118,041**	106,486
	269,074	249,064

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

(c) Information about a major customer

Revenue of approximately HK$40,618,000 (2012: HK$68,497,000) 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 2013, the Group recorded consolidated turnover of HK$476 million, an increase of 9.2% over the HK$436 million recorded in the previous year. Net profit attributable to owners was HK$33 million. Basic earnings per share was HK2.8 cents. The Board of Directors has proposed a final dividend of HK2 cents and a final special dividend of HK1.5 cents per share.

Merchandising

Photographic Products

The Group announced that sales of instant products soared 95.9%, driven by the worldwide popularity of instant photo-taking and a number of very effective promotional and marketing initiatives carried out by the Group in Hong Kong. Although overall sales of digital products fell by 7% from the previous year, the Group achieved good sales results from its highly regarded range of professional cameras. Some of the most popular models sold during the year included the XP60 adventure-proof camera, the HS50EXR long zoom bridge camera and two new X-series range cameras, the X20 and the X100S. Sales received an additional boost when the XF1 and X-E1 models won the awards for "Best Product Features" in their respective categories at the "Fortress Inspiring Smart Living Awards 2012".

Skincare Products

The Group has been selling FUJIFILM Beauty skincare products for three years, establishing a defined and still-growing niche for the brand in a very competitive market. During the year under review, FUJIFILM Beauty saw overall turnover growth of 28.9%, benefiting from the popularity of bestselling items Collagen Drink, whose sales grew 52.7%, and Jelly Aquarysta, which saw a 13.2% increase. Newer products such as Day Protector White SPF50 PA +++ also performed well. The Group will search for suitable locations to increase its store network.

Photofinishing and technical services

Despite a decrease in the number of FOTOMAX outlets from 77 to 75 during 2012-2013, impressive growth in certain specialist areas helped boosting overall sales for this segment by a satisfactory 3.8% over the previous year. Major sales contributors included DocuXpress, which grew by 16%, and the online business, which saw a 14.7% increase. The latter in particular benefited from significant growth in the mobile print service, where sales soared 512%.

Another growth area was the Imaging Gift service, where sales rose by 12% on the back of a 127.5% increase in sales of shop production products featuring popular new designs that use transparent inks available from the Fuji Xerox printing machine. Imaging Gift products achieved growth especially through the introduction of a range of new, higher-priced Christmas cards from Bella's Design.

Brand management

Marketing and brand management efforts during the year included promotions for its instant camera models which received extensive exposure and product loyalty through media coverage and public events. The Group also leveraged events and celebrity appearances to promote the recreational aspects of its FUJIFILM Instax cameras. Professional cameras emphasising quality and performance were publicised via high-profile advertising, including TV commercials and a series of cinema advertisements in major circuits. Other initiatives included hosting events at the Group's FUJIFILM STUDIO, participating in photo exhibitions, and sponsoring competitions and prizes to encourage people to practice photography.

In the beauty sector, the Group maintained a high public profile for its FUJIFILM Beauty brand through a wide range of advertising, promotional and sponsorship campaigns. The Group also reported rapid growth for FUJIFILM Beauty's membership base. For Fotomax, the Group introduced a modernized image by using more colorful in-store design and packing with a new slogan of "Cheers". Also, a thematic TV commercial namely "Memory is not just pixels" was launched highlighting how precious of photofinishing. The Group also leveraged the group buying trend with a loyalty scheme that saw a significant rise in customers during the year under review.

Financial Resources

The financial position of the Group remained sound and healthy during the year under review. As at 31 March 2013, the Group's cash and bank balances were approximately HK$542 million with a zero gearing ratio. Trade and bill receivables of HK$23 million were recorded at the end of the reporting period, while inventories were HK$104 million.

Outlook

The Group will not neglect its traditional strengths in the photography and photofinishing sectors and will continue to reinforce our role as one of Hong Kong's premier enterprises in photographic equipment and photofinishing services.

As for FUJIFILM Beauty, one highlight is the launch of a promising new range of skincare products under the Lunamer brand, aimed at a younger target group of customers. The Group will promote this new range heavily. Meanwhile, the Group will gradually phase out the FUJIFILM brand name and replace it with ASTALIFT to make a clearer delineation between its beauty services and photographic activities.

The Group will move cautiously in terms of Fotomax shop expansion to control costs and will also look at strengthening and expanding the Group's existing online platform. With careful cost controls in place and a new range of products being launched soon, the Group is confident that Fotomax has the potential to perform satisfactorily in the year to come.

The Group also remains alert to opportunities for expanding and diversifying its business activities into other areas. This May, the Group successfully entered into a sales and purchase agreement to acquire certain business assets of YCY Holdings Limited and its subsidiaries and Galerien und PartnerPlus Limited, a group specialising in high-end audio-visual equipment and advisory services for commercial AV facilities. The synergy of this new business will create with the Group's other business areas should lead to more cross-selling opportunities, better customer service and enhanced operating efficiencies. The acquisition is expected to be completed by 1 August 2013.

Closure of Share Register

The Annual General Meeting of the Company is scheduled on Friday, 16 August 2013. 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, 14 August 2013 to Friday, 16 August 2013, 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 branch 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, 13 August 2013.

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 Friday, 23 August 2013. 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, 22 August 2013 and Friday, 23 August 2013, 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 branch share registrar in Hong Kong, Tricor Tengis Limited, at the above address, for registration not later than 4:30 p.m. on Wednesday, 21 August 2013. The proposed final dividend and proposed final special dividend will be paid on Thursday, 12 September 2013.

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 2013 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 2013, except that during the period from 1 April 2012 to 2 September 2012, the roles of Chairman and Chief Executive Officer have not been separated. Dr Sun Tai Lun, Dennis was 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 personal provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The roles of Chairman and Chief Executive Officer have been separated with effect from 3 September 2012. Mr Sun Tao Hung, Stanley is now the Chief Executive Officer of the Company.

Full details on the subject of corporate governance are set out in the Company's 2013 Annual Report.

MEMBERS OF THE BOARD

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

On behalf of the Board
Sun Tai Lun
Chairman

HKSAR, 26 June 2013
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