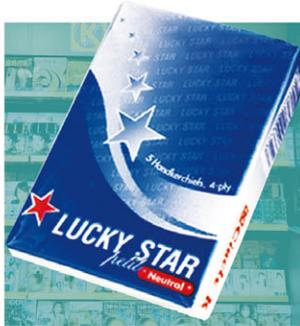




Convenience Retail Asia Limited  
利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 08052



First Quarterly Report 2009



Member of the Li & Fung Group



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This report (the “Report”), for which the Directors of Convenience Retail Asia Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Convenience Retail Asia Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this Report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this Report misleading; and (3) all opinions expressed in this Report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

# Highlights

## First Quarterly Results For the three months ended 31 March 2009

		2009	2008
Revenue	+2.8%	<b>HK\$801,504,000</b>	HK\$779,363,000
Profit attributable to shareholders of the Company	+1.5%	<b>HK\$13,901,000</b>	HK\$13,697,000
Basic earnings per share (HK cents)	+1.1%	<b>1.90</b>	1.88

## Operation Highlights

- Turnover and profitability on track during first quarter
- Satisfactory performance of Circle K and Saint Honore operations in Hong Kong
- Slight drop in sales reported by Circle K Guangzhou due to deteriorating economic environment
- Challenging market conditions will prevail and may impact the Group's turnover and profitability
- The Group holds a net cash position of HK\$391.5 million as of 31 March 2009 without any bank borrowings

## Number of Stores as of 31 March 2009

### Circle K Convenience Stores

Hong Kong	289
Guangzhou	66
Shenzhen	4

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<b>Subtotal</b>	<b>359</b>
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### Franchised Circle K Stores

Guangzhou	5
Macau	18
Zhuhai	12

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<b>Subtotal</b>	<b>35</b>
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<b>Total number of Circle K Stores</b>	<b>394</b>
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### Saint Honore Group

Hong Kong	– Cake Shop	81
	– Bread Boutique	4

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<b>Subtotal</b>	<b>85</b>
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Macau	– Cake Shop	7
Guangzhou	– Cake Shop	14

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<b>Subtotal</b>	<b>21</b>
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<b>Total number of Saint Honore Stores</b>	<b>106</b>
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<b>Total number of Stores under Convenience Retail Asia</b>	<b>500</b>
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# Chairman's Statement

## Financial Review

I am pleased to report the unaudited results of Convenience Retail Asia Limited and its subsidiaries (the "Group") for the first quarter of 2009.

During this period, the Group's turnover increased by 2.8% to HK\$801.5 million when compared to the same period last year. This was achieved by the addition of new stores and an overall increase in sales at comparable stores (stores in existence throughout 2008 and 2009). Comparable convenience store sales in Hong Kong increased by 1.4% while comparable convenience store sales in Southern China decreased by 6.9% (after adjusting for non-recurrent sales category) during the same quarter last year. Comparable store sales of the Saint Honore operations in Hong Kong increased slightly during the same period.

Gross margin and other income (excluding interest income) as a percentage of turnover increased to 36.4% during the first quarter, compared to 35.6% achieved in the same period last year.

Store expenses as a percentage of turnover increased from 26.3% to 27.3% for the first quarter when compared with 2008. The increase was mainly due to increased staff costs and rental expenses.

Distribution costs were maintained at 2.6% of turnover, the same level as 2008. Administrative expenses as a percentage of turnover decreased from 4.5% to 4.2%.

The Group recorded a net profit attributable to shareholders of HK\$13.9 million during the quarter, representing an increase of 1.5 % over the same period last year.

## Review of Hong Kong Operations

In the first quarter of 2009, the global economic downturn continued to dampen consumer sentiment in Hong Kong. According to an online consumer survey conducted in April<sup>1</sup>, over 80% of the respondents in Hong Kong claimed that they planned to reduce their spending in the ensuing six month period, particularly in the purchase of discretionary categories and big-ticket items.

The Chinese New Year festivities in January and the subsequent 31.3%<sup>2</sup> increase in the number of Mainland visitors who travelled to Hong Kong for the celebrations contributed to the retail sales momentum and somewhat moderated the downward trend. However, for the first two months of 2009, retail sales volume still reflected a decrease of 3.6%<sup>3</sup>.

### Notes:

- <sup>1</sup> Source: "Navigating Challenges – Consumer Sentiment: Hong Kong" published by PHD in April 2009. PHD is part of the Omnicom Media Group, which is the media services division of Omnicorp Group, the leading global advertising, marketing and corporate communication company.
- <sup>2</sup> Published by the Hong Kong Tourism Board on 26 February 2009.
- <sup>3</sup> Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 2 April 2009.

The Hong Kong Government's introduction of an unexpected 50% increase in the tobacco tax levy had an immediate negative impact on cigarette sales. Although sales gradually and partially recovered over a period of time, it is anticipated that a proportion of cigarette smokers will switch to illegal retail channels to buy untaxed cigarettes at a much lower price. As one of the key drivers of customer traffic to convenience stores, the cigarette sales drop has many implications for the Group's operations in Hong Kong with an unfavourable effect on transaction count as well as transaction value.

The Group endeavoured to mitigate these unforeseen developments by undertaking aggressive chain-wide promotions and building sales of the more recession-resistant categories, such as food and drink products which proved to have the most potential for sales growth, being small ticket items offering instant gratification.

As a result of these tactical initiatives, the Group was able to deliver a satisfactory sales performance in the first quarter of the period under review with a 1.4% comparable convenience store sales growth despite the challenging market environment.

As part of its commitment to being environmentally responsible, all Circle K stores switched to energy saving light bulbs during the first quarter.

## Review of Guangzhou Operations

In Guangzhou, economic indicators reflected a notable deceleration in overall economic growth. Compared to the same period last year, import and export values dropped 30.7%<sup>4</sup>, industrial sector electricity consumption reduced by 41.4%<sup>4</sup> and direct foreign investment decreased by 20%<sup>4</sup> in January 2009.

The retail sales value of consumer products grew 7.5%<sup>4</sup> for the first two months, compared to the double-digit 15%<sup>4</sup> sales growth for the same period in 2008, while the consumer price index fell by 4.4%<sup>4</sup> in February. This decrease was recorded for the first time in many years, indicating a reversal trend in consumer product retail pricing.

The Group's convenience store operations in Guangzhou faced severe challenges in the first quarter of 2009 in an adverse market environment. Slight decreases in both the average daily transaction count and transaction value were registered. Sales in the food services category, which had previously been a major contributor to revenue, were also affected.

In response, the Group focused on upgrading the range, quality and taste of food service offerings in order to improve the overall appeal and value perception. As a result of these initiatives, the sales decline was arrested and a gradual turnaround in sales performance was observed at the end of the first quarter.

*Note:*

<sup>4</sup> Published by the Statistics Bureau of Guangdong Province on 30 March 2009

## **The Saint Honore Operations**

Despite tough market conditions, Saint Honore operations in Hong Kong delivered satisfactory comparable store sales performance in the first quarter, following the sales growth momentum generated in the final quarter of 2008. Increases in average daily transaction count and transaction value accounted for a healthy growth in store contribution. A consistent effort in product quality improvement and new product introductions stimulated incremental purchases from loyal customers.

The opening of seven new stores during the quarter added to chain-wide sales growth. These new stores readily converted customers from the catchment areas with contemporary, user-friendly store designs and superior product range, quality and taste.

## **Business Outlook**

For the remainder of 2009, consumers in Hong Kong and Guangzhou face the prospects of a reduction of their income, lack of job security and decreasing assets. They therefore feel the need to be more cautious and rational in their spending.

Looking at the Group's operations in both markets, business opportunities exist by providing value propositions in daily consumables, with a strong focus in the food services category. This can be achieved by providing fast food solutions at better value and at a faster speed than fast food outlets, which have proven to be recession proof.

Despite the challenging outlook, landlords of retail premises in Hong Kong and Guangzhou still maintain a rather tough and uncompromising stance in their rental demands, which forced the Group to adopt a very conservative approach in new store opening programmes in both markets.

The one bright spot for the retail market in Hong Kong might be the availability of the multi-entry visas for permanent Shenzhen visitors to Hong Kong. This new arrangement could mean that more than two million Shenzhen citizens would become frequent visitors to Hong Kong and provide a potential stimulus to overall retail sales growth.

On the Chinese Mainland, the glimmer of hope in an otherwise dim prospect could be the Central Government's policy of encouraging domestic consumption. This might be implemented in the form of providing various incentives to induce more consumer spending at retail outlets but detailed implementation plans for the retail market in Guangzhou are yet to be announced.

For the remainder of 2009, the Group anticipates that challenging market conditions will prevail which may impact on the Group's turnover and profitability. However, the Group has already implemented proactive strategies across all its operations and management teams are thoroughly briefed and well prepared for any further deterioration in the overall economy and consumer sentiment.

With a substantial cash reserve and a strong positive cash flow, the Group is well positioned to benefit from any strategically relevant and financially viable acquisitions that may become available.

**Fung Kwok King, Victor**

*Chairman*

Hong Kong, 5 May 2009

*Executive Directors:*

Mr. Yeung Lap Bun, Richard (*Chief Executive Officer*)

Mr. Li Kwok Ho, Bruno (*Chief Financial Officer*)

*Non-executive Directors:*

Dr. Fung Kwok King, Victor (*Chairman*)

Dr. Fung Kwok Lun, William

Mr. Godfrey Ernest Scotchbrook

Mr. Jeremy Paul Egerton Hobbins

Ms. Wong Yuk Nor, Louisa

*Independent non-executive Directors:*

Dr. Ch'ien Kuo Fung, Raymond

Mr. Au Man Chung, Malcolm

Mr. Lo Kai Yiu, Anthony

*Group Chief Compliance Officer:*

Mr. Siu Kai Lau, James

*Company Secretary:*

Miss Li Sau Ping, Maria

# Results

The Board of Directors (the "Board") is pleased to announce the unaudited results of the Group for the three months ended 31 March 2009, together with the unaudited comparative figures for the corresponding period ended 31 March 2008 as follows:

	<i>Note</i>	<b>Three months ended</b>	
		<b>2009</b>	2008
		<b>HK\$'000</b>	HK\$'000
			<b>31 March</b>
Revenue	2	<b>801,504</b>	779,363
Cost of sales		<b>(561,457)</b>	(547,810)
Gross profit		<b>240,047</b>	231,553
Other income	2	<b>51,485</b>	45,689
Store expenses		<b>(218,733)</b>	(204,694)
Distribution costs		<b>(20,537)</b>	(20,031)
Administrative expenses		<b>(33,913)</b>	(35,569)
Operating profit		<b>18,349</b>	16,948
Interest income	3	<b>731</b>	1,334
Profit before income tax		<b>19,080</b>	18,282
Income tax expenses	4	<b>(5,179)</b>	(4,585)
Profit attributable to shareholders of the Company		<b>13,901</b>	13,697
Earnings per share			
– Basic (HK cents)	6	<b>1.90</b>	1.88
– Diluted (HK cents)	6	<b>1.90</b>	1.88

## Consolidated Statement of Comprehensive Income

For the three months ended 31 March 2009

	(Unaudited)	
	Three months ended	
	31 March	
	2009	2008
	HK\$'000	HK\$'000
Profit attributable to shareholders of the Company	<b>13,901</b>	13,697
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Other comprehensive income:		
Gains/(losses) recognised directly in equity		
Employee share option benefit	<b>566</b>	9
Exchange differences	<b>(80)</b>	2,769
Other comprehensive income for the period, net of tax	<b>486</b>	2,778
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Total comprehensive income for the period	<b>14,387</b>	16,475
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Attributable to:		
Shareholders of the Company	<b>14,387</b>	16,777
Minority interests	-	(302)
	<b>14,387</b>	16,475
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Notes:

## 1. Basis of preparation and accounting policies

The unaudited condensed consolidated accounts have been prepared to comply with the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of these results are consistent with those used in the annual accounts for the year ended 31 December 2008. The Group has adopted new or revised standards, amendments to standards and interpretations of Hong Kong Financial Reporting Standards which are effective for accounting periods commencing on or after 1 January 2009. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impact on the consolidated accounts and does not result in substantial changes to the Group's accounting policies except certain changes on the presentation of the consolidated accounts.

HKAS 1 (Revised), "Presentation of Financial Statements", requires all non-owner changes in equity to be shown in a performance statement, but entities can choose whether to present one performance statement (a statement of comprehensive income) or two statements (a profit and loss account and a statement of comprehensive income). The Group has elected to present two statements: the consolidated profit and loss account and the consolidated statement of comprehensive income.

## 2. Revenue and other income

The Group is principally engaged in the operation of chains of convenience stores and bakeries. Revenues recognised during the three months ended 31 March 2009 are as follows:

	<b>(Unaudited)</b> <b>Three months ended</b> <b>31 March</b>	
	<b>2009</b> <b>HK\$'000</b>	<b>2008</b> <b>HK\$'000</b>
Revenue		
Merchandise sales revenue	<b>647,905</b>	627,743
Bakery sales revenue	<b>153,599</b>	151,620
	<b>801,504</b>	779,363
Other income		
Supplier rebate and promotion fees	<b>38,767</b>	34,080
Service items and miscellaneous income	<b>12,718</b>	11,609
	<b>51,485</b>	45,689

## 3. Interest income

	<b>(Unaudited)</b> <b>Three months ended</b> <b>31 March</b>	
	<b>2009</b> <b>HK\$'000</b>	<b>2008</b> <b>HK\$'000</b>
Interest income on bank deposits	<b>731</b>	1,334

#### 4. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profit for the three months ended 31 March 2009. Taxation on overseas profits has been calculated on the estimated assessable profits for the three months ended 31 March 2009 and 2008 at the rates prevailing in the countries in which the Group operates.

The amount of income tax expenses charged/(credited) to the consolidated profit and loss account represents:

	<b>(Unaudited)</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current income tax		
– Hong Kong profits tax	<b>4,262</b>	4,860
– Overseas profits tax	<b>156</b>	60
Deferred income tax	<b>761</b>	(335)
	<b>5,179</b>	4,585

#### 5. Dividend

The Board does not recommend payment of an interim dividend for the three months ended 31 March 2009 (2008: Nil).

#### 6. Earnings per share

The calculation of the Group's basic and diluted earnings per share for the three months ended 31 March 2009 is based on the unaudited profit attributable to shareholders of the Company of HK\$13,901,000 (2008: HK\$13,697,000).

The basic earnings per share is based on the weighted average number of 729,915,974 (2008: 729,275,359) shares in issue during the three months ended 31 March 2009.

There is no dilutive effect arising from the share options granted by the Company for the three months ended 31 March 2009 and 2008.

#### 7. Loss attributable to shareholders from convenience store operations in Chinese Mainland

Included in the unaudited profit attributable to shareholders of the Company, there is a loss of HK\$8,671,000 (2008: HK\$9,151,000) from the Group's convenience store operations in Chinese Mainland for the three months ended 31 March 2009.

## 8. Reserves

Movements in reserves of the Group during the three months ended 31 March 2009 and 2008 are as follows:

	(Unaudited)						
	Three months ended 31 March 2008						
	Share premium	Merger reserve	Capital reserve	Employee share-based compensation reserve	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	280,035	177,087	13,433	7,652	4,276	172,212	654,695
Issue of new shares	799	-	-	-	-	-	799
Employee share option benefit	160	-	-	1,150	-	9	1,319
Exchange differences	-	-	-	-	2,769	-	2,769
Profit attributable to shareholders of the Company	-	-	-	-	-	13,697	13,697
<b>At 31 March 2008</b>	<b>280,994</b>	<b>177,087</b>	<b>13,433</b>	<b>8,802</b>	<b>7,045</b>	<b>185,918</b>	<b>673,279</b>
Representing:							
Reserves							633,136
Proposed dividend							40,143
							<b>673,279</b>

	(Unaudited)						
	Three months ended 31 March 2009						
	Share premium	Merger reserve	Capital reserve	Employee share-based compensation reserve	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	281,614	177,087	13,433	11,729	8,678	200,801	693,342
Employee share option benefit	-	-	-	427	-	566	993
Exchange differences	-	-	-	-	(80)	-	(80)
Profit attributable to shareholders of the Company	-	-	-	-	-	13,901	13,901
<b>At 31 March 2009</b>	<b>281,614</b>	<b>177,087</b>	<b>13,433</b>	<b>12,156</b>	<b>8,598</b>	<b>215,268</b>	<b>708,156</b>
Representing:							
Reserves							668,011
Proposed dividend							40,145
							<b>708,156</b>

## 9. Comparative figures

Certain comparative information in the consolidated accounts has been reclassified to conform to the current period's presentation.

# Other Information

## Directors' Interest in Competing Business

During the period under review, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed or might compete with the business of the Group.

## Interests and Short Positions of Directors in the Shares, Underlying Shares and Debentures of the Company and Certain Major Associated Corporations

As at 31 March 2009, the interests and short positions of each of the Directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and certain of its major associated corporations (Note 1) (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as required to be recorded in the register maintained by the Company pursuant to section 352 of SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealing by the Directors under the GEM Listing Rules and/or the Code of Conduct for dealings in securities adopted by the Company, were as follows:

### The Company

*Long positions in shares and the underlying shares of equity derivatives*

Name of Directors	Number of shares			Number of underlying shares (share options)	Total interests	Approximate percentage of interests
	Personal interests	Family interests	Corporate/ Trust interests			
Dr. Fung Kwok King, Victor	-	-	373,692,000 <i>(Note 2)</i>	-	373,692,000	51.19%
Dr. Fung Kwok Lun, William	-	-	373,692,000 <i>(Note 2)</i>	-	373,692,000	51.19%
Mr. Yeung Lap Bun, Richard	19,196,000	-	-	1,200,000 <i>(Note 3)</i>	20,396,000	2.79%
Mr. Li Kwok Ho, Bruno	2,676,000	-	-	600,000 <i>(Note 4)</i>	3,276,000	0.45%
Ms. Wong Yuk Nor, Louisa	1,588,000	-	-	600,000 <i>(Note 5)</i>	2,188,000	0.30%
Dr. Ch'ien Kuo Fung, Raymond	1,000,000	-	-	-	1,000,000	0.14%
Mr. Jeremy Paul Egerton Hobbins	180,000	-	-	-	180,000	0.02%

## Major associated corporations

Long positions in shares and the underlying shares of equity derivatives

Name of Directors	Name of associated corporations	Class of shares	Number of		Nature of interests/ Holding capacity	Approximate percentage of interests
			(i) shares	(ii) underlying shares		
Dr. Fung Kwok King, Victor	Li & Fung (Distribution) Limited	Full voting ordinary shares	13,800,000	-	(Note 6)	100%
	LiFung Trinity Limited	Ordinary share	1	-	(Note 7)	100%
	Trinity Limited	Ordinary shares	799,673,555	-	(Note 8)	66.35%
Dr. Fung Kwok Lun, William	Li & Fung (Distribution) Limited	Full voting ordinary shares	13,800,000	-	Corporate interests (Note 6)	100%
	LiFung Trinity Limited	Ordinary share	1	-	Corporate interests (Note 7)	100%
	Trinity Limited	Ordinary shares	799,673,555	-	Corporate interests (Note 8)	66.35%
Mr. Jeremy Paul Egerton Hobbins	Trinity Limited	Ordinary shares	4,234,500	-	Corporate interests (Note 9)	0.35%

Notes:

- Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William, by virtue of their interests in King Lun Holdings Limited ("King Lun") and the Company are deemed to be interested in the shares and underlying shares of certain associated corporations of the Company under SFO. A waiver from full compliance from Rule 18.69 of the GEM Listing Rules for the disclosure of Directors' interests in the shares and underlying shares of the associated corporations has been granted by the Stock Exchange on 23 April 2009. Accordingly, the companies under this section headed "Interests and short positions of Directors in the shares, underlying shares and debentures of the Company and certain major associated corporations" are only the major associated corporations of the Company and are not intended to be exhaustive.

2. King Lun through its indirect wholly owned subsidiary, Li & Fung (Retailing) Limited (“LFR”) (a wholly owned subsidiary of Li & Fung (1937) Limited (“LF (1937)”) held 373,692,000 shares in the Company. 50% of the issued share capital of King Lun is owned by HSBC Trustee (C.I.) Limited, the trustee of a trust established for the benefit of the family members of Dr. Fung Kwok King, Victor, the remaining 50% is owned by Dr. Fung Kwok Lun, William.
3. On 3 May 2007, Mr. Yeung Lap Bun, Richard was granted share options pursuant to the Share Option Scheme of the Company to subscribe for a total of 1,200,000 shares at an exercise price of HK\$3.39 per share. The options are to be vested in Mr. Yeung Lap Bun, Richard in three equal lots in relation to the performance year 2007, 2008 and 2009 respectively. Subject to confirmation of vesting, the options in relation to the performance year 2007 would be exercisable during the period from 3 May 2009 to 2 May 2012. The remaining two lots of options in relation to the performance year 2008 and 2009 would be exercisable during the respective period of 3 May 2010 to 2 May 2013 and 3 May 2011 to 2 May 2014.
4. On 3 May 2007, Mr. Li Kwok Ho, Bruno was granted share options pursuant to the Share Option Scheme of the Company to subscribe for a total of 600,000 shares at an exercise price of HK\$3.39 per share. The options are to be vested in Mr. Li Kwok Ho, Bruno in three equal lots in relation to the performance year 2007, 2008 and 2009 respectively. Subject to confirmation of vesting, the options in relation to the performance year 2007 would be exercisable during the period from 3 May 2009 to 2 May 2012. The remaining two lots of options in relation to the performance year 2008 and 2009 would be exercisable during the respective period of 3 May 2010 to 2 May 2013 and 3 May 2011 to 2 May 2014.
5. On 3 May 2007, Ms. Wong Yuk Nor, Louisa was granted share options pursuant to the Share Option Scheme of the Company to subscribe for a total of 600,000 shares at an exercise price of HK\$3.39 per share. The options are to be vested in Ms. Wong Yuk Nor, Louisa in three equal lots in relation to the performance year 2007, 2008 and 2009 respectively. Subject to confirmation of vesting, the options in relation to the performance year 2007 would be exercisable during the period from 3 May 2009 to 2 May 2012. The remaining two lots of options in relation to the performance year 2008 and 2009 would be exercisable during the respective period of 3 May 2010 to 2 May 2013 and 3 May 2011 to 2 May 2014.
6. King Lun through its wholly owned subsidiary, LF (1937) held 13,800,000 shares in Li & Fung (Distribution) Limited. Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in these shares through their respective interests in King Lun and LF (1937) as set out in Note 2 above.
7. King Lun through its indirect wholly owned subsidiary, LFR (a wholly owned subsidiary of LF (1937)) held 1 share in LiFung Trinity Limited. Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in the share through their respective interests in King Lun and LF (1937) and indirect interests in LFR as set out in Note 2 above.
8. King Lun through its indirect wholly owned subsidiary, LiFung Trinity Limited (a wholly owned subsidiary of LFR) held 799,673,555 shares in Trinity Limited. Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in these shares through their respective interests in King Lun, LF (1937), LFR and LiFung Trinity Limited as set out in Notes 2 & 7 above.
9. 4,234,500 shares in Trinity Limited were held by Martinville Holdings Limited which is owned by Mr. Jeremy Paul Egerton Hobbins.

Save as disclosed above, as at 31 March 2009, none of the Directors, chief executives and their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations.

## Interests and Short Positions of Shareholders in the Shares and Underlying Shares of the Company

As at 31 March 2009, the interests and short positions of shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of SFO were as follows:

### Long positions in shares

Name of shareholders	Number of shares	Nature of interests/ Holding capacity	Approximate percentage of interests
HSBC Trustee (C.I.) Limited	373,692,000	Trustee <i>(Note 1)</i>	51.19%
King Lun Holdings Limited	373,692,000	Corporate interests <i>(Note 1)</i>	51.19%
Commonwealth Bank of Australia	59,520,000	Corporate interests <i>(Note 2)</i>	8.15%
Aberdeen Asset Management Plc and its subsidiaries	51,060,000	Other <i>(Note 3)</i>	6.99%
Arisaig Greater China Fund Limited ("Arisaig China")	89,346,000	Other	12.24%
Arisaig Partners (Mauritius) Limited ("Arisaig Partners")	89,346,000	Other <i>(Note 4)</i>	12.24%
Cooper Lindsay William Ernest ("Mr. Cooper")	89,346,000	Corporate interests <i>(Note 5)</i>	12.24%

*Notes:*

1. These shares were held by LFR. King Lun indirectly owns 100% interests in LFR through its wholly owned subsidiary, LF (1937). All of HSBC Trustee (C.I.) Limited, King Lun, LF (1937) and LFR are taken to be interested in the shares pursuant to SFO. Please refer to Note 2 in the above section headed "Interests and short positions of Directors in the shares, underlying shares and debentures of the Company and certain major associated corporations".
2. These shares were indirectly held by Commonwealth Bank of Australia through a chain of 100% owned companies, namely Colonial Holding Company Ltd, Commonwealth Insurance Holdings Ltd, Colonial First State Group Ltd, First State Investments (UK Holdings) Ltd, SI Holdings Ltd, First State Investment Management (UK) Ltd and First State Investments International Ltd.
3. Aberdeen Asset Management Plc and its subsidiaries (together "the Aberdeen Group") held the shares on behalf of accounts managed by the Aberdeen Group.
4. These shares were held by Arisaig China of which Arisaig Partners is the fund manager.
5. These shares were held by Arisaig China. Arisaig Partners, which is indirectly owned as to 33.33% by Mr. Cooper through a chain of companies, namely Madelene Ltd. (100%), Arisaig Partners (Holdings) Ltd. (33.33%) and Arisaig Partners (BVI) Limited (100%), is the fund manager of Arisaig China.

Save as disclosed above, as at 31 March 2009, the Company had not been notified of any other shareholders' interests or short positions as recorded in the register kept pursuant to section 336 of SFO.

## **Audit Committee**

The Audit Committee was established in January 2001 with defined terms of reference (available to shareholders upon request), which are of no less exacting terms than those set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules. The Audit Committee is responsible for reviewing the Group's financial reporting, internal controls, corporate governance and risk management matters and making recommendations to the Board.

The Audit Committee comprises three independent non-executive Directors, namely Dr. Ch'ien Kuo Fung, Raymond (Chairman of the Committee), Mr. Au Man Chung, Malcolm, Mr. Lo Kai Yiu, Anthony, and two non-executive Directors, namely Mr. Godfrey Ernest Scotchbrook and Mr. Jeremy Paul Egerton Hobbins. All committee members possess appropriate professional qualifications, accounting and related financial management expertise as required under the GEM Listing Rules.

The Audit Committee has met and reviewed with management this unaudited quarterly report for the three months ended 31 March 2009 before recommending it to the Board for approval.

## **Purchase, Sale or Redemption of the Company's Listed Securities**

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