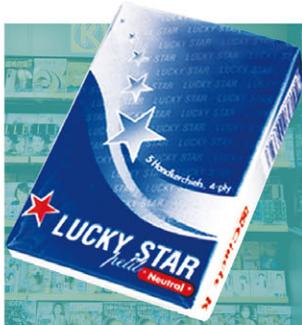




Convenience Retail Asia Limited
利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 08052



Third 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

Third Quarterly Results

For the period ended 30 September 2009

Three months ended 30 September		2009	2008
Revenue	-0.6%	HK\$896,753,000	HK\$902,557,000
Profit attributable to shareholders of the Company	+1.8%	HK\$28,468,000	HK\$27,953,000
Basic earnings per share (HK cents)	+1.8%	3.90	3.83
Nine months ended 30 September		2009	2008
Revenue	+0.8%	HK\$2,513,519,000	HK\$2,492,786,000
Profit attributable to shareholders of the Company	-4.5%	HK\$64,240,000	HK\$67,273,000
Basic earnings per share (HK cents)	-4.6%	8.80	9.22
Interim dividend per share (HK cents)	0%	1.70	1.70

Operation Highlights

- Effective cost control contributed to satisfactory profit increase despite challenging market conditions
- Comparable store sales for Circle K Hong Kong affected by the plastic bag levy implemented on 7 July 2009
- Mooncake sales improved Saint Honore performance
- Strong net cash position of HK\$490.3 million

Number of Stores as of 30 September 2009

Circle K Stores

Hong Kong	293
Guangzhou	61
Shenzhen	1

Subtotal	355
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Franchised Circle K Stores

Guangzhou	6
Macau	20
Zhuhai	12

Subtotal	38
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Total number of Circle K Stores	393
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Saint Honore Cake Shops

Hong Kong	82
Macau	7
Guangzhou	14

Total number of Saint Honore Cake Shops	103
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Total number of Stores under Convenience Retail Asia	496
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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 third quarter of 2009.

During the period, the Group's turnover decreased by 0.6% to HK\$896.8 million when compared to the same period last year. This was mainly due to a decrease in comparable convenience store sales and the fact that the last three days of the mooncake sale season took place in the fourth quarter of 2009, unlike in 2008 when its entirety was reported in the third quarter.

Comparable convenience store sales in Hong Kong and Southern China decreased by 2.6% and 6.5% respectively over the same quarter last year. Comparable store sales for the bakery business achieved a low single-digit increase.

Gross margin and other income as a percentage of turnover decreased slightly to 37.2% during the third quarter of 2009, compared to 37.4% of the same period in 2008.

Operating expenses were carefully controlled, decreasing from 33.6% to 33.2% of turnover year on year.

The Group recorded a net profit attributable to shareholders of HK\$28.5 million during the quarter, representing an increase of 1.8% over the third quarter of 2008.

Review of the Hong Kong Market

In the third quarter of 2009, the retail market in Hong Kong started to show some signs of recovery when the year-on-year decrease in the value of total retail sales dropped notably to 0.2%¹ in August, compared to the decrease of 5.3%¹ in July. Even though the global economic outlook remains rather uncertain, the gradual improvement of the local economy, the stabilisation of the labour market and the healthy recovery of inbound tourism has helped arrest the decline of overall retail sales.

However, supermarkets and convenience stores have been less fortunate than other retail sectors. Sales performance is still being affected by the substantial increase in tobacco tax that took place in February and the plastic bag levy that was implemented in July. The latter put an immediate pressure on transaction value as Hong Kong shoppers, without the convenience of free plastic bags, began purchasing fewer items per transaction.

The Group's Circle K operations in Hong Kong were no exception. Even though every effort has been made to educate shoppers about the "bring your own bag" concept, it will still take some time to convert convenience store customers. Such uncontrollable market factors took their toll on Circle K's overall sales performance in Hong Kong during the third quarter despite a series of aggressive marketing promotions that were launched to stimulate sales and mitigate these challenges.

Note:

¹ Published by the Census and Statistics Department, the Government of the Hong Kong Special Administration Region on 29 September 2009.

Review of the Guangzhou Market

The trend for total retail sales in Guangzhou remained positive due to stable economic growth, fuelled by aggressive government measures to drive domestic consumption and a gradual but perceptible turnaround in export trade and manufacturing. These factors were duly reflected in the Purchasing Managers' Index, which edged up from 52.4%² in March to 54.3%³ in September 2009.

However, this buoyancy in consumer sentiment did not have a positive impact on the Group's Circle K operations in Guangzhou because during the third quarter of 2009, cigarette sales were discontinued in compliance with Government regulations, which forbade the selling of tobacco by retailers with foreign investment. This is effectively an official ban of cigarette sales by all multinational chain operations on the Chinese Mainland.

In order to alleviate the impact of this new development on sales, the Group will roll out aggressive marketing initiatives to build overall store sales and individual high-margin categories, including food services and packaged drinks.

The Saint Honore Cake Shop Operations

Saint Honore Cake Shops in Hong Kong launched a highly successful premiums promotion for birthday cakes during the quarter, which generated considerable incremental sales.

Despite the split of the mooncake season into the third and fourth quarters of 2009 due to the Mid Autumn Festival falling in early October this year, sales prior to the holiday nevertheless contributed a significant portion of the sales revenue during the quarter for both Hong Kong and Guangzhou. Gross margin also increased which contributed to an overall improvement in Saint Honore's financial results in the third quarter.

Business Outlook

The Group anticipates that the darkest hour for the retail market in Hong Kong is probably over, with the turning point likely being the improvement that was reported in the August retail sales figures. More positive news is expected in the coming months, even though a full recovery for sales growth might not be so imminent.

The escalation in property prices and the robust performance of the equity market have undoubtedly contributed to a "wealth" effect that eventually will translate into a rebound in consumer confidence.

However, as the total number of convenience stores in Hong Kong hits the 1,300 mark, increasingly keen competition will put pressure on organic growth and margin performance for the Group's convenience store operations.

Notes:

² Published by the China Federation of Logistics & Purchasing on 3 April 2009.

³ Published by the China Federation of Logistics & Purchasing on 10 October 2009.

Hence, the Group's well defined management initiatives for the rest of 2009 are: continuous improvement in quality customer service; effective category management; vigilant cost control; margin maximisation; and constant reinforcement of the "Always Something New" consumer proposition.

For the Guangzhou operations, the same initiatives will be just as applicable even though the pressure of store density is less immediate. The challenge for the Group's operations there is to upgrade productivity and increase sales volume per store by localising and customising individual stores to enhance the product offering.

Sales performance for Saint Honore Cake Shop for the rest of the year could be somewhat lackluster compared to the first three quarters. This is because there are no more major festivals in the remaining months of 2009, which means no more incremental sales generated by related products.

But by continuously introducing new products and upgrading the quality of our existing ranges in core product categories, the Group expects that comparable store sales will continue to hold up well. Traditionally, the cool weather of the last quarter is conducive to a strong demand for Saint Honore bakery products.

The Group undertook major operational initiatives earlier in the year to upgrade the cost effectiveness, efficiency and productivity of its manufacturing centres, which will lead to consistent improvement in margin performance in the coming months.

Fung Kwok King, Victor

Chairman

Hong Kong, 5 November 2009

Executive Director:

Mr. Yeung Lap Bun, Richard (*Chief Executive 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 and nine months ended 30 September 2009, together with the unaudited comparative figures for the corresponding period ended 30 September 2008 as follows:

	Note	Three months ended 30 September		Nine months ended 30 September	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Revenue	2	896,753	902,557	2,513,519	2,492,786
Cost of sales		(619,533)	(619,845)	(1,758,972)	(1,736,273)
Gross profit		277,220	282,712	754,547	756,513
Other income	2	56,329	54,957	169,567	158,149
Store expenses		(237,805)	(240,434)	(674,211)	(660,646)
Distribution costs		(21,429)	(21,933)	(62,474)	(62,327)
Administrative expenses		(38,774)	(40,558)	(106,299)	(108,353)
Operating profit		35,541	34,744	81,130	83,336
Interest income	3	757	1,427	2,116	3,693
Profit before income tax		36,298	36,171	83,246	87,029
Income tax expenses	4	(7,830)	(8,218)	(19,006)	(19,756)
Profit attributable to shareholders of the Company		28,468	27,953	64,240	67,273
Dividend	5	–	–	12,409	12,409
Earnings per share					
– Basic (HK cents)	6	3.90	3.83	8.80	9.22
– Diluted (HK cents)	6	3.90	3.83	8.80	9.22

Consolidated Statement of Comprehensive Income

For the three months and nine months ended 30 September 2009

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Profit attributable to shareholders of the Company	28,468	27,953	64,240	67,273
Other comprehensive income for the period, net of tax				
Exchange differences	12	(9)	(26)	4,135
Total comprehensive income for the period	28,480	27,944	64,214	71,408
Attributable to:				
Shareholders of the Company	28,480	27,944	64,214	71,710
Minority interests	–	–	–	(302)
	28,480	27,944	64,214	71,408

Notes:

1. Basis of preparation and accounting policies

The unaudited 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 and segment information.

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.

HKFRS 8, "Operating Segments", requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors that makes strategic decisions. Goodwill is allocated by management to groups of cash-generating units on a segment level. Goodwill relating to a previous acquisition within Hong Kong bakery segment remains in that segment. There has been no further impact on the measurement of the Group's assets and liabilities.

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

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 and nine months ended 30 September 2009 are as follows:

	(Unaudited) Three months ended 30 September 2009		(Unaudited) Nine months ended 30 September 2009	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Revenue				
Merchandise sales revenue	702,703	705,477	2,020,118	1,993,316
Bakery sales revenue	194,050	197,080	493,401	499,470
	896,753	902,557	2,513,519	2,492,786
Other income				
Supplier rebate and promotion fees	42,840	40,527	128,883	116,391
Service items and miscellaneous income	13,489	14,430	40,684	41,758
	56,329	54,957	169,567	158,149

3. Interest income

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income on bank deposits	757	1,427	2,116	3,693

4. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the three months and nine months ended 30 September 2009. Taxation on overseas profits has been calculated on the estimated assessable profits for the three months and nine months ended 30 September 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:

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current income tax				
Hong Kong profits tax	4,846	7,243	17,003	20,390
Overseas profits tax	2,918	2,663	3,490	2,933
Deferred income tax	66	(1,688)	(1,487)	(3,567)
	7,830	8,218	19,006	19,756

5. Dividend

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interim dividend paid, of 1.7 HK cents (2008: 1.7 HK cents) per share	–	–	12,409	12,409

The Board does not recommend payment of an interim dividend for the three months ended 30 September 2009 (2008: Nil).

6. Earnings per share

The calculation of the Group's basic earnings and diluted earnings per share for the three months and nine months ended 30 September 2009 is based on the unaudited profit attributable to shareholders of the Company of HK\$28,468,000 (2008: HK\$27,953,000) and HK\$64,240,000 (2008: HK\$67,273,000) respectively.

The basic earnings per share is based on the weighted average number of 729,915,974 (2008: 729,915,974) and 729,915,974 (2008: 729,692,147) shares in issue during the three months and nine months ended 30 September 2009 respectively.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options as dilutive potential ordinary shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Profit attributable to shareholders of the Company	28,468	27,953	64,240	67,273
	Number of shares	Number of shares	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	729,915,974	729,915,974	729,915,974	729,692,147
Adjustments for:				
Share options	–	2,959	–	112,587
Weighted average number of ordinary shares for diluted earnings per share	729,915,974	729,918,933	729,915,974	729,804,734

Diluted earnings per share for the three months and nine months ended 30 September 2009 equal to the basic earnings per share as the potential ordinary shares outstanding during the respective periods have an anti-dilutive effect on the basic earnings per share for the corresponding periods.

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\$8,476,000 (2008: HK\$9,806,000) and HK\$25,051,000 (2008: HK\$30,639,000) from the Group's convenience store operations in Chinese Mainland for the three months and nine months ended 30 September 2009 respectively.

8. Reserves

Movements in reserves of the Group during the three months and nine months ended 30 September 2009 and 2008 are as follows:

	(Unaudited)						
	Three months ended 30 September 2009						
	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 July 2009	281,614	177,087	13,433	12,887	8,640	197,068	690,729
Employee share option benefit	-	-	-	327	-	310	637
Exchange differences	-	-	-	-	12	-	12
Acquisition of additional interest in subsidiary (note 9)	-	-	-	-	-	(25,243)	(25,243)
Profit attributable to shareholders of the Company	-	-	-	-	-	28,468	28,468
Dividend	-	-	-	-	-	(12,409)	(12,409)
At 30 September 2009	281,614	177,087	13,433	13,214	8,652	188,194	682,194

	(Unaudited)						
	Three months ended 30 September 2008						
	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 July 2008	281,614	177,087	13,433	9,781	8,722	171,463	662,100
Employee share option benefit	-	-	-	942	-	127	1,069
Exchange differences	-	-	-	-	(9)	-	(9)
Profit attributable to shareholders of the Company	-	-	-	-	-	27,953	27,953
Dividend	-	-	-	-	-	(12,409)	(12,409)
At 30 September 2008	281,614	177,087	13,433	10,723	8,713	187,134	678,704

	(Unaudited)						
	Nine months ended 30 September 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	-	-	-	1,485	-	950	2,435
Exchange differences	-	-	-	-	(26)	-	(26)
Acquisition of additional interest in subsidiary (note 9)	-	-	-	-	-	(25,243)	(25,243)
Profit attributable to shareholders of the Company	-	-	-	-	-	64,240	64,240
Dividends	-	-	-	-	-	(52,554)	(52,554)
At 30 September 2009	281,614	177,087	13,433	13,214	8,652	188,194	682,194

	(Unaudited)						
	Nine months ended 30 September 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	1,397	-	-	-	-	-	1,397
Employee share option benefit	182	-	-	3,071	-	201	3,454
Exchange differences	-	-	-	-	4,437	-	4,437
Profit attributable to shareholders of the Company	-	-	-	-	-	67,273	67,273
Dividends	-	-	-	-	-	(52,552)	(52,552)
At 30 September 2008	281,614	177,087	13,433	10,723	8,713	187,134	678,704

9. Acquisition of additional interest in subsidiary

During the period, the acquisition of an additional 25% of equity interest in Convenience Retail Southern China Limited from a minority shareholder (with a total purchase consideration of HK\$16,987,000) has been completed following the obtaining of all the approvals and authorisations in accordance with the laws of the People's Republic of China as announced on 17 December 2008. The difference between the consideration paid and the share of net assets acquired has been debited to retained earnings.

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 30 September 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%
Ms. Wong Yuk Nor, Louisa	1,588,000	-	-	600,000 <i>(Note 4)</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 5)	100%
	LiFung Trinity Limited	Ordinary share	1	–	(Note 6)	100%
	Trinity Limited	Ordinary shares	799,673,555	–	(Note 7)	66.35%
Dr. Fung Kwok Lun, William	Li & Fung (Distribution) Limited	Full voting ordinary shares	13,800,000	–	Corporate interests (Note 5)	100%
	LiFung Trinity Limited	Ordinary share	1	–	Corporate interests (Note 6)	100%
	Trinity Limited	Ordinary shares	799,673,555	–	Corporate interests (Note 7)	66.35%
Mr. Jeremy Paul Egerton Hobbins	Trinity Limited	Ordinary shares	4,234,500	–	Corporate interests (Note 8)	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 28 October 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. Upon confirmation of vesting, the options in relation to the performance year 2007 became 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, 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. Upon confirmation of vesting, the options in relation to the performance year 2007 became 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. 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.
6. 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.
7. 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 and 6 above.
8. 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 30 September 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 30 September 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 (Note 1)	51.19%
King Lun Holdings Limited	373,692,000	Corporate interests (Note 1)	51.19%
Commonwealth Bank of Australia	59,520,000	Corporate interests (Note 2)	8.15%
Aberdeen Asset Management Plc and its subsidiaries	51,132,000	Other (Note 3)	7.00%
Arisaig Greater China Fund Limited ("Arisaig China")	89,346,000	Other	12.24%
Arisaig Partners (Mauritius) Limited ("Arisaig Partners")	89,346,000	Other (Note 4)	12.24%
Cooper Lindsay William Ernest ("Mr. Cooper")	89,346,000	Corporate interests (Note 5)	12.24%

Notes:

- 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 30 September 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 reviewed with the management this unaudited quarterly report for the period ended 30 September 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.