



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 2010



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 2010

	Change	2010 HK\$'000	2009 HK\$'000
Revenue	+1.7%	<b>814,836</b>	801,504
Profit attributable to shareholders of the Company	+143.3%	<b>33,824</b>	13,901
Basic earnings per share (HK cents)	+143.7%	<b>4.63</b>	1.90

## Operation Highlights

- Comparable store sales grew for Circle K Hong Kong
- Comparable store sales for Circle K Guangzhou still affected by discontinuance of cigarette sales
- Saint Honore business performance improved due to marketing and cost-saving initiatives
- Disposal of an old manufacturing centre in the first quarter generated a one-off financial gain
- Group holds net cash position of HK\$557 million as of 31 March 2010 without any bank borrowings

## Number of Stores as of 31 March 2010

### Circle K Stores

Hong Kong	303
Guangzhou	54
Shenzhen	1

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<b>Subtotal</b>	<b>358</b>
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### Franchised Circle K Stores

Guangzhou	3
Macau	21
Zhuhai	12

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<b>Subtotal</b>	<b>36</b>
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<b>Total number of Circle K Stores</b>	<b>394</b>
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### Saint Honore Cake Shops

Hong Kong	82
Macau	7
Guangzhou	12

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<b>Total number of Saint Honore Cake Shops</b>	<b>101</b>
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<b>Total number of Stores under Convenience Retail Asia</b>	<b>495</b>
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# Chairman's Statement

## Financial Review

I am pleased to report the unaudited results for Convenience Retail Asia Limited and its subsidiaries (the "Group") for the first quarter of 2010.

During the period, the Group's turnover increased by 1.7% to HK\$814.8 million when compared to the same period last year. This was mainly due to an overall increase in sales at comparable stores (stores in existence throughout 2009 and 2010). Comparable convenience store sales in Hong Kong increased by 1.1% while comparable convenience store sales in Southern China decreased by 0.1% (after adjusting for a difference in tax treatments on certain sales category in Southern China) compared with same quarter last year. Comparable store sales for 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 decreased to 35.7% in the first quarter, compared to 36.4% over the same period of last year.

Store expenses and distribution costs as a percentage of turnover decreased from 27.3% to 26.4% and 2.6% to 2.4% respectively for the first quarter when compared with 2009. Administrative expenses as a percentage of turnover increased from 4.2% to 4.5%, which was mainly due to higher staff cost compared with the same quarter last year.

Net profit before the gain on the disposal of a real estate property increased by 14% to HK\$15.8 million. Including the one-off gain, the Group recorded a net profit attributable to shareholders of HK\$33.8 million during the quarter, representing an increase of 143.3% over the same period last year.

## Review of Hong Kong Operations

Following the global recovery from the economic recession in the second half of 2009, retail sales in Hong Kong continued to grow strongly in the first quarter of 2010<sup>1</sup>.

Improvement in the labour market, along with the robust performance of inbound tourism from the Chinese Mainland, contributed to double-digit growth in overall retail sales in Hong Kong during the first two months of 2010. However, the key categories that accounted for 18.8% increase in retail sales value and 15.1%<sup>1</sup> increase in retail sales volume were mainly discretionary, big-ticket items such as motor vehicles, consumer durables, electrical goods and photographic equipment, jewellery and watches, much of which was driven by mainland Chinese visitors or deferred consumption due to last year's economic uncertainties.

Note:

1. Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 30 March 2010.

Daily consumables and commodities in supermarkets registered single-digit growth of 5.8% and 1%<sup>1</sup> respectively, a telling sign that the recovery in consumer confidence could be quite fragile as reflected in the cautious spend on daily non-discretionary consumables. The plastic bag levy on supermarket and convenience store chains continued to have an unfavourable impact on the general shopping behaviour, affecting the shopping frequency as well as transaction value.

The Group's comparable store sales in Hong Kong continued to be subject to pressure during the first quarter of 2010 because sales during the same period last year were not affected by the plastic bag levy, which was implemented in July.

A series of aggressive promotions launched during the first quarter managed to generate considerable incremental sales and accounted for positive comparable store sales growth. This was achieved despite the fact that traditionally, the first quarter is not a peak sales period because the weather is still relatively cool.

## Review of Guangzhou Operations

In Guangzhou, overall economic growth continued unabated as reflected by the robust performance of the economic indicators in all sectors, with direct foreign investment registering high growth at 29.5%<sup>2</sup>.

Overall retail sales, underpinned by Government policy to encourage domestic consumption, grew over the first two months of 2010 by a significant 17.9%<sup>3</sup> compared with the same period a year earlier.

The discontinuance of cigarette sales in compliance with government regulations continued to affect comparable store sales for the Circle K store operations in Guangzhou, resulting in a decrease.

Bolstered by the initiatives undertaken in 2009 to streamline the infrastructure of the support functions, reduce overhead costs and consolidate the store network, the Group anticipates that the fundamentals are in place for further improvement in business performance in the second half of the year, especially when the negative impact of the cigarette category's discontinuance is neutralised with comparable store sales being measured with a comparable category mix.

### Notes:

1. *Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 30 March 2010.*
2. *Published by the Statistics Bureau of Guangzhou Municipality on 18 March 2010.*
3. *Published by the National Bureau of Statistics of China on 29 March 2010.*

## **The Saint Honore Operations**

With the emergence of small cake shops and local bakeries operated by entrepreneurial owner-operators, chain bakery operations have begun to face keener competition. In response to the challenges from these newcomers, established bakery chains embarked on aggressive price promotions.

The Group adopted a more long-term strategy to neutralise these competitive market forces with innovative promotions, an upgrade of overall product quality and the introduction of new premium-quality product ranges.

Consistent marketing and production efforts to execute these key company initiatives proved effective in generating incremental sales, resulting in an increase in comparable store sales growth for the first quarter of 2010.

Concurrently, cost reduction tactics, including the consolidation of the Group's production facilities and the enhancement of logistics support, have also contributed to a healthy growth in operating margin during the same quarter.

## **Business Outlook**

Barring any unexpected disruption to the economic recovery and positive consumer sentiment, the Group anticipates stable sales performance to continue in Hong Kong and Guangzhou during the second quarter.

Furthermore, the World Cup, which will be broadcast on television for five weeks in June and July, will create significant in-home consumption of key convenience store categories such as beer, packaged drinks, snacks and confectionery, and will benefit the Group's operations in Hong Kong and Guangzhou.

As a result of a more optimistic environment for the second half of the year, both Circle K and the Saint Honore operations are likely to enjoy better prospects for comparable store sales growth and margin improvement.

**Victor FUNG Kwok King**

*Chairman*

Hong Kong, 10 May 2010

*Executive Director:*

Mr. Richard YEUNG Lap Bun (*Chief Executive Officer*)

*Non-executive Directors:*

Dr. Victor FUNG Kwok King (*Chairman*)

Dr. William FUNG Kwok Lun

Mr. Godfrey Ernest SCOTCHBROOK

Mr. Jeremy Paul Egerton HOBBS

Ms. Louisa WONG Yuk Nor

*Independent non-executive Directors:*

Dr. Raymond CH'EN Kuo Fung

Mr. Malcolm AU Man Chung

Mr. Anthony LO Kai Yiu

*Group Chief Compliance Officer:*

Mr. James SIU Kai Lau

*Company Secretary:*

Miss Maria LI Sau Ping

# Results

The Board of Directors (the "Board") is pleased to announce the unaudited results of the Group for the three months ended 31 March 2010, together with the unaudited comparative figures for the corresponding period ended 31 March 2009 as follows:

	<i>Note</i>	<b>Three months ended</b>	
		<b>2010</b>	2009
		<b>HK\$'000</b>	HK\$'000
Revenue	2	<b>814,836</b>	801,504
Cost of sales		<b>(541,468)</b>	(526,451)
Gross profit		<b>273,368</b>	275,053
Other income	2	<b>17,910</b>	16,479
Other gain	3	<b>17,633</b>	–
Store expenses		<b>(214,978)</b>	(218,733)
Distribution costs		<b>(19,671)</b>	(20,537)
Administrative expenses		<b>(36,845)</b>	(33,913)
Operating profit		<b>37,417</b>	18,349
Interest income	4	<b>1,358</b>	731
Profit before income tax		<b>38,775</b>	19,080
Income tax expenses	5	<b>(4,951)</b>	(5,179)
Profit attributable to shareholders of the Company		<b>33,824</b>	13,901
Earnings per share			
Basic (HK cents)	7	<b>4.63</b>	1.90
Diluted (HK cents)	7	<b>4.63</b>	1.90

## Consolidated Statement of Comprehensive Income

For the three months ended 31 March 2010

	<b>(Unaudited)</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Profit attributable to shareholders of the Company	<b>33,824</b>	13,901
Other comprehensive income/(loss) for the period, net of tax		
Exchange differences	<b>70</b>	(80)
Total comprehensive income attributable to shareholders of the Company	<b>33,894</b>	13,821

Notes:

### 1. Basis of preparation and accounting policies

The unaudited consolidated financial information has 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 financial information are consistent with those used in the consolidated financial statements for the year ended 31 December 2009. The Group has adopted new and amended standards and interpretations of Hong Kong Financial Reporting Standards which are mandatory for the Group's accounting periods beginning on or after 1 January 2010. The adoption of such new and amended standards and interpretations does not have material impact on the consolidated financial information and does not result in substantial changes to the Group's accounting policies.

Certain comparative information in the consolidated financial information 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 ended 31 March 2010 are as follows:

	<b>(Unaudited)</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Revenue		
Merchandise sales revenue	<b>659,209</b>	647,905
Bakery sales revenue	<b>155,627</b>	153,599
	<b>814,836</b>	801,504
Other income		
Service items and miscellaneous income	<b>17,910</b>	16,479

### 3. Other gain

Other gain represents gain on disposal of a real estate property used by Saint Honore Group in Hong Kong.

#### 4. Interest income

	<b>(Unaudited)</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income on bank deposits	<b>1,358</b>	731

#### 5. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the three months ended 31 March 2010 and 2009. Taxation on overseas profits has been calculated on the estimated assessable profits for the three months ended 31 March 2010 and 2009 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>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current income tax		
Hong Kong profits tax	<b>4,492</b>	4,262
Overseas profits tax	<b>503</b>	156
Deferred income tax	<b>(44)</b>	761
	<b>4,951</b>	5,179

#### 6. Dividend

The Board does not recommend payment of an interim dividend for the three months ended 31 March 2010 (2009: Nil).

## 7. Earnings per share

The calculation of the Group's basic and diluted earnings per share for the three months ended 31 March 2010 is based on the unaudited profit attributable to shareholders of the Company of HK\$33,824,000 (2009: HK\$13,901,000).

The basic earnings per share is based on the weighted average number of 729,915,974 (2009: 729,915,974) shares in issue during the three months ended 31 March 2010.

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.

	<b>(Unaudited)</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Profit attributable to shareholders of the Company	<b>33,824</b>	13,901
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares in issue equal to the weighted average number of ordinary shares for diluted earnings per share	<b>729,915,974</b>	729,915,974

Diluted earnings per share for the three months ended 31 March 2010 and 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.

## 8. 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\$7,072,000 (2009: HK\$8,671,000) from the Group's convenience store operations in Chinese Mainland for the three months ended 31 March 2010.

## 9. Reserves

Movements in reserves of the Group during the three months ended 31 March 2010 and 2009 are as follows:

	(Unaudited)						
	Three months ended 31 March 2010						
	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 January 2010	281,614	177,087	13,433	13,761	8,662	214,457	709,014
Employee share option benefit	-	-	-	315	-	333	648
Exchange differences	-	-	-	-	70	-	70
Profit attributable to shareholders of the Company	-	-	-	-	-	33,824	33,824
<b>At 31 March 2010</b>	<b>281,614</b>	<b>177,087</b>	<b>13,433</b>	<b>14,076</b>	<b>8,732</b>	<b>248,614</b>	<b>743,556</b>
Representing:							
Reserves							699,761
Proposed dividend							43,795
							<b>743,556</b>

	(Unaudited)						
	Three months ended 31 March 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 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>

# 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 2010, 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. Victor Fung Kwok King	-	-	373,692,000 <i>(Note 2)</i>	-	373,692,000	51.19%
Dr. William Fung Kwok Lun	-	-	373,692,000 <i>(Note 2)</i>	-	373,692,000	51.19%
Mr. Richard Yeung Lap Bun	19,196,000	-	-	1,200,000 <i>(Note 3)</i>	20,396,000	2.79%
Ms. Louisa Wong Yuk Nor	1,588,000	-	-	600,000 <i>(Note 4)</i>	2,188,000	0.30%
Dr. Raymond Ch'ien Kuo Fung	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. Victor Fung Kwok King	Li & Fung (Distribution) Limited	Full voting ordinary shares	13,800,000	–	(Note 5)	100%
	LiFung Trinity Limited	Ordinary share	1	–	(Note 6)	100%
Dr. William Fung Kwok Lun	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%

Notes:

- Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun 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 of 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 22 April 2010. 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.
- 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. Victor Fung Kwok King, the remaining 50% is owned by Dr. William Fung Kwok Lun.

3. On 3 May 2007, Mr. Richard Yeung Lap Bun 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. Richard Yeung Lap Bun 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 and 2008 became exercisable during the period from 3 May 2009 to 2 May 2012 and from 3 May 2010 to 2 May 2013 respectively. The remaining options in relation to the performance year 2009 would be exercisable during the period of 3 May 2011 to 2 May 2014.
4. On 3 May 2007, Ms. Louisa Wong Yuk Nor 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. Louisa Wong Yuk Nor 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 and 2008 became exercisable during the period from 3 May 2009 to 2 May 2012 and from 3 May 2010 to 2 May 2013 respectively. The remaining options in relation to the performance year 2009 would be exercisable during the period of 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. Victor Fung Kwok King and Dr. William Fung Kwok Lun 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. Victor Fung Kwok King and Dr. William Fung Kwok Lun 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.

Save as disclosed above, as at 31 March 2010, 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 2010, 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	50,574,000	Corporate interests (Note 2)	6.93%
Aberdeen Asset Management Plc and its associates	59,314,000	Other (Note 3)	8.12%
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%
Lindsay William Ernest Cooper ("Mr. Cooper")	89,346,000	Corporate interests (Note 5)	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.
3. Aberdeen Asset Management Plc and its associates (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 2010, the Company had not been notified of any other shareholders' interests or short positions as recorded in the register required to be kept under 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. Raymond Ch'ien Kuo Fung (Chairman of the Committee), Mr. Malcolm Au Man Chung, Mr. Anthony Lo Kai Yiu, 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 three months ended 31 March 2010 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.