



# COSWAY CORPORATION LIMITED

(formerly known as Berjaya Holdings (HK) Limited)

(Stock Code: 288)

# 2011

## Interim Report

# EXPERIENCE

## A Unique Way of Doing Business

Cosway's unique business model is empowering consumers, energizing communities and enriching people's lives all around the world.

# ENJOY

## Amazing yet Affordable Products

We work with the best researchers, suppliers and manufacturers from around the world to bring you an ever-growing range of top quality products at unbelievable prices.

# ENGAGE

## In Risk-Free Entrepreneurship

Use our platform to run a smart, risk-free business without boundaries or limitations. If you want to work in your local community, you can apply for one of our FREE STORES!

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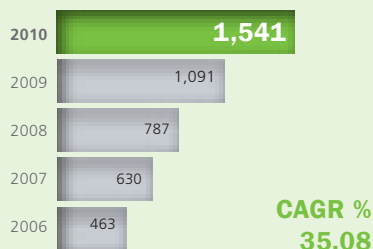
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# RESULTS HIGHLIGHTS

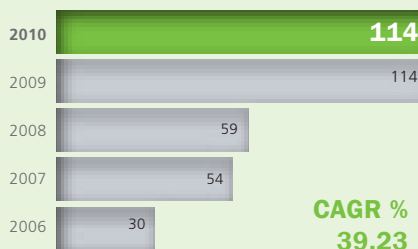
	Six months ended 31 October 2010 HK\$'000	Six months ended 31 October 2009 HK\$'000	Increase in percentage (%)
Revenue	1,540,642	1,090,565	41.3
Gross profit	637,681	443,639	43.7
Profit for the period	113,683	113,578	0.1

	As at 31 October 2010 HK\$'000	As at 30 April 2010 HK\$'000	Increase in percentage (%)
Total assets	2,081,190	1,747,877	19.1
Net current assets	248,044	214,711	15.5
Shareholders' equity	814,052	649,463	25.3

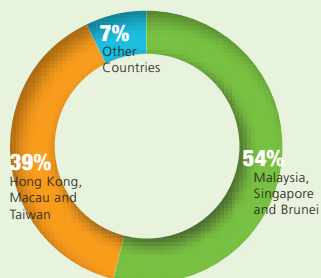
**Compound annual growth rate  
("CAGR") on turnover  
for the six months ended 31 October**  
HK\$ million



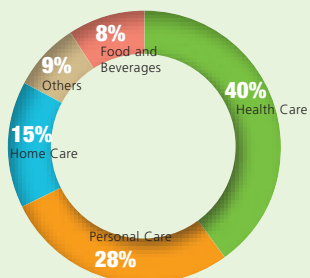
**Compound annual growth rate  
("CAGR") on profit  
for the six months ended 31 October**  
HK\$ million



**SALES BY GEOGRAPHICAL REGIONS**



**SALES BY PRODUCTS**



## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

Mr. Chuah Choong Heong  
(Chairman and Chief Executive Officer)  
Mr. Tan Yeong Sheik, Rayvin

#### Non-Executive Directors

Mr. Chan Kien Sing  
Mr. Tan Thiam Chai  
Ms. Tan Ee Ling

#### Independent Non-Executive Directors

Mr. Wong Ying Wai, Wilfred  
Mr. Leou Thiam Lai  
Ms. Deng Xiao Lan, Rose

### COMPANY SECRETARY

Mr. Wong Man Hong

### AUTHORISED REPRESENTATIVES

Mr. Tan Yeong Sheik, Rayvin  
Ms. Tan Ee Ling

### AUDIT COMMITTEE

Mr. Wong Ying Wai, Wilfred  
Mr. Chan Kien Sing  
Mr. Leou Thiam Lai  
Ms. Deng Xiao Lan, Rose

### REMUNERATION COMMITTEE

Mr. Wong Ying Wai, Wilfred  
Mr. Tan Yeong Sheik, Rayvin  
Mr. Leou Thiam Lai  
Ms. Deng Xiao Lan, Rose

### AUDITORS

Ernst & Young  
Certified Public Accountants

### PRINCIPAL BANKERS

Malayan Banking Berhad  
AmBank (M) Berhad  
OCBC Bank (M) Berhad  
Asian Finance Bank Berhad  
DBS Bank (Hong Kong) Limited  
CITIC Bank International Limited

### REGISTERED OFFICE

17th Floor, Austin Plaza  
83, Austin Road  
Jordan, Kowloon  
Hong Kong

### SHARE REGISTRARS

Tricor Secretaries Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai, Hong Kong

### STOCK CODE

HKEX: 00288

### WEBSITE

[www.coswaycorp.com](http://www.coswaycorp.com)

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## MANAGEMENT DISCUSSION AND ANALYSIS

### SUMMARY OF FINANCIAL RESULTS

The Group's unaudited consolidated revenue for the six months ended 31 October 2010 amounted to HK\$1.54 billion, representing an increase of 41.3% against HK\$1.09 billion recorded for the same period in 2009. The increase was primarily due to the overall higher revenue growth in most countries which we operate, notably in the Malaysian, Hong Kong and Taiwanese markets, as we continue with our strategies of opening new "Free Stores", intensified recruitment activities and widening our product offerings. Our debut into the US market in October 2010 had generated overwhelming response in the first month of operation.

Our Cosway's revolutionary business model has continued to attract good followings, with many members requesting for appointment as operators of new "Free Stores". Global membership base has also grown, surpassing the 1 million mark.

With higher revenue, gross profit rose 43.7% to HK\$637.68 million in the current period under review from HK\$443.64 million in the previous year. During the financial period under review, we have incurred interest costs of HK\$15.45 million relating to the Irredeemable Convertible Unsecured Loan Securities ("ICULS") issued by the Company for the Very Substantial Acquisition on 8 December 2009.

In May 2010, the first grant of share option was awarded to the eligible directors and employees in relation to the Company's share option scheme, resulting in equity-settled transaction costs of HK\$11.20 million, in accordance with the accounting treatment of HKFRS 2 "Share Based Payment".

Excluding interest costs and employee benefit expenses mentioned above, the Group's Net income for the period under review would have been HK\$140.33 million, representing an increase of 23.6% compared to the same period last year, despite the impact of setting-up costs incurred for entering the new Japanese and US markets. These are the world's top direct selling markets, and the entry into these new markets which is part of the Group's proactive efforts, is expected to contribute positively to our performance in the near future.

## MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS OF OPERATIONS

## Six Months Ended 31 October 2010 compared to Six Months Ended 31 October 2009

## a) Sales by Business Segment

	31 October 2010		31 October 2009		% increase in sales
	HK\$ million	%	HK\$ million	%	%
Direct Selling/ Retailing	<b>1,534.78</b>	<b>99.6%</b>	1,085.86	99.6%	41.3%
Others	<b>5.86</b>	<b>0.4%</b>	4.70	0.4%	24.7%
Total	<b>1,540.64</b>	<b>100.0%</b>	1,090.56	100.0%	41.3%

The bulk of the revenue was generated by the Direct Selling/Retailing of consumer goods.

## b) Sales by Region

	31 October 2010		31 October 2009		% increase in sales
	HK\$ million	%	HK\$ million	%	%
Malaysia, Singapore and Brunei	<b>826.42</b>	<b>53.8%</b>	586.59	54.0%	40.9%
Hong Kong, Macau and Taiwan	<b>595.32</b>	<b>38.8%</b>	434.76	40.0%	36.9%
Other Countries	<b>113.04</b>	<b>7.4%</b>	64.51	6.0%	75.2%
Total	<b>1,534.78</b>	<b>100.0%</b>	1,085.86	100.0%	41.3%

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## MANAGEMENT DISCUSSION AND ANALYSIS

### **Malaysia, Singapore and Brunei**

The Malaysia, Singapore and Brunei markets continued to show impressive sales growth with total revenue of HK\$826.42 million for the six months ended 31 October 2010, an increase of HK\$239.83 million or 40.9% compared to the same period in 2009.

This result bears testimony to the effectiveness of our proven and unique hybrid concept of network marketing and retailing. Number of "Free Stores" has increased from 240 as at 31 October 2009 to 549 as at 31 October 2010. Amongst the new products launched that have generated tremendous response were the Personal Care, Home Care and Apparel & Lingerie.

### **Hong Kong, Macau and Taiwan**

The Hong Kong, Macau and Taiwan markets, similarly, reported record sales growth with increase in total revenue of HK\$160.56 million or 36.9% to HK\$595.32 million for the six months ended 31 October 2010 compared to previous year's corresponding period.

For Hong Kong and Macau markets, the better than expected performance was mainly attributed to the run away successes of new products introduction, particularly Water System, Healthcare and Personal care range.

In the Taiwanese market, the sales growth of 30% to HK\$206.48 million for the period under review compared to HK\$158.78 million recorded in previous year corresponding period was propelled by the introduction of Apparel & Lingerie range of products which proved to be very popular amongst the locals. The influx of over 30,000 new members, coupled with attractive promotional activities, collectively add further impetus to the good achievement.



**MANAGEMENT DISCUSSION AND ANALYSIS*****Sales by Product Category***

<b>CATEGORIES</b>	<b>Six months ended</b>	
	<b>31 October</b>	
	<b>2010</b>	2009
	<b>%</b>	%
Health Care	<b>39.7</b>	39.3
Personal Care	<b>28.2</b>	26.5
Home Care	<b>15.2</b>	17.0
Food & Beverage	<b>7.6</b>	9.0
Others	<b>9.3</b>	8.2
<b>TOTAL</b>	<b>100.0</b>	100.0

A reclassification of Product categories was conducted during the period under review and Health Care products was the biggest sales contributor with almost 40% share of the Group's sales. Personal Care is the next biggest contributor, with its diverse ranges of skin care, face and body care, colour cosmetics, hair care and fragrances.

**FUTURE PROSPECTS**

For the remaining financial period, management is confident of the continued sales growth of the existing markets which the Group operates in, as the productivity of the new "Free Stores" improve.

While these existing countries are expected to contribute positively to the overall Group's growth, management believes new markets such as Japan, UK and Colombia when fully operational will further drive the Group's business.

With increased number of "Free Stores", new market entries, supported by higher membership and shoppers and the continuous new product offerings, management is optimistic that the sales growth momentum will continue in the coming quarters. However, the Group is expected to incur additional capital expenditure in relation to the opening of new free stores in the new markets.

**LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its operations with internally generated cash flow as well as banking facilities provided by its bankers. As at 31 October 2010, the total cash and cash equivalents was approximately HK\$178 million (30 April 2010: HK\$135 million).

The current ratio of the Group was recorded as 1.3 times (30 April 2010: 1.3 times) as at 31 October 2010. The interest bearing bank loans and other borrowings of the Group repayable within one year and after one year were HK\$281 million and HK\$18 million respectively (30 April 2010: HK\$157 million and HK\$9 million respectively) as at 31 October 2010.

The Group's gearing ratio, which is interest-bearing bank borrowings less cash and cash equivalents ("Net Debt") divided by the equity attributable to equity holders of the Company plus Net Debt, was approximately 12.9% (30 April 2010: 4.5%) as at 31 October 2010.

**EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES**

With regards to foreign exchange risk, the Group's businesses are predominantly located in Malaysia and Asia Pacific regions. All transactions are conducted in the currency of the various countries of the Group's operations. In addition, purchases are primarily locally sourced and the distribution of inventory is managed in a centralised manner. Therefore, fluctuations of exchange rates of the major regions that the Group operates in against other foreign currencies are not expected to have a significant impact on the Group's results.

**CAPITAL STRUCTURE**

On 23 November 2009, the Company had adopted a share option scheme (the "Scheme"). On 6 May 2010, a total of 17,625,000 share options were granted to eligible directors and employees of the Group at an exercise price of HK\$1.10 per share. During the period under review, no options granted pursuant to the Scheme had been exercised.

In September and October 2010, certain irredeemable convertible unsecured loan securities ("ICULS") holders (the "ICULS Holders") elected to convert the ICULS in the principal amount of HK\$466,645,780, in aggregate, into new shares of HK\$0.20 each per share. As a result of the conversion, the Company allotted and issued 2,333,228,900 new shares, in aggregate, to the ICULS Holders in September and October 2010.

**MANAGEMENT DISCUSSION AND ANALYSIS****MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT**

Other than those disclosed in the paragraph of Summary of financial result above, the Group had no other material acquisition, disposals and significant investment during the six months period ended 31 October 2010.

**PLEGGED OF ASSETS**

As at 31 October 2010, investment properties, freehold land and leasehold land with a net book value of HK\$200 million, HK\$9 million and HK\$6 million (30 April 2010: HK\$195 million, HK\$9 million and HK\$6 million) respectively, were pledged to secure banking facilities for the Group.

**CONTINGENT LIABILITY**

Details of the contingent liability are set out in note 15 to the note of the consolidated interim financial statements.

**CAPITAL COMMITMENT**

The Group is expected to progressively incur capital expenditure mainly in relation to the opening of new free stores. The Group will continue to explore for suitable sites for the setting up of new stores especially in the new markets in Japan, US, UK and Columbia in the coming quarters and the amount of capital expenditure to be incurred is expected to follow the similar trend as the past months. The actual amounts to be spent will depend on the availability of suitable sites and actual costs to be incurred in the respective markets.

**EMPLOYEES AND REMUNERATION POLICY**

The Group had a total of approximately 1,300 employees as at 31 October 2010. The remuneration policy of the Group is to ensure that the overall remunerations are fair and competitive in order to motivate and retain existing employees and at the same time to attract prospective employees. The remuneration policy has been formulated after having taken into account local practices in various geographical locations in which the Group and its associates are operating. These remuneration packages comprise basic salaries, allowances, retirement schemes, service bonuses, fixed bonuses, performance-based incentives and share options, where appropriate.

**INTERIM DIVIDEND**

The Board did not recommend the payment of an interim dividend for the six months ended 31 October 2010 (2009: Nil).

## SUPPLEMENTARY INFORMATION

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 October 2010, the interests of the directors, chief executives and their associates in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies (the "Model Code") in the Listing Rules were as follows:–

#### (i) Long positions in shares and underlying shares of the Company

Name of director	Capacity	Number of shares held	Number of underlying shares under the share options of the Company (Note 2)	Number of Underlying shares upon conversion of the ICULS*	Total interest	Approximate percentage of shareholding
Chuah Choong Heong	Beneficial Owner	–	7,500,000	–	7,500,000	0.17%
Tan Yeong Sheik, Rayvin (Note 1)	Beneficial Owner	222,366,972	500,000	227,600,500	450,467,472	10.49%
Chan Kien Sing	Beneficial Owner	–	–	23,844	23,844	0.00%
Tan Thiam Chai	Beneficial Owner	–	–	113,729	113,729	0.00%
Tan Ee Ling	Beneficial Owner	–	125,000	–	125,000	0.00%
Leou Thiam Lai	Beneficial Owner	–	–	150,000	150,000	0.00%

\* ICULS refers to a 10-year one to three and a half per cent. (1-3.5%) irredeemable convertible unsecured loan securities issued by the Company and listed by way of selectively marketed securities (Stock Code: 4314) on the Stock Exchange with conversion rights to convert them into shares and the conversion price is HK\$0.20 per share.

Note 1: Mr. Tan Yeong Sheik, Rayvin held a total of 450,467,472 shares including 227,600,500 underlying shares which could be issued by conversion of the ICULS and 500,000 underlying shares which will be issued upon exercise of his share options.

Note 2: Details of share options held by the directors are shown in the section of "Share Options".

## SUPPLEMENTARY INFORMATION

## (ii) Long positions in shares and underlying shares of associated corporations

(1) *Berjaya Corporation Berhad (“BCorp”)*

Name of director	Capacity	Number of shares held	Number of underlying shares under derivative interest held	Total interest	Approximate percentage of shareholding
Tan Yeong Sheik, Rayvin	Beneficial Owner	316,000	385,000	701,000	0.02%
Chan Kien Sing	Beneficial Owner	47,688	–	47,688	0.00%
Leou Thiam Lai	Beneficial Owner	300,000	–	300,000	0.01%
Tan Thiam Chai	Beneficial Owner/ interests of spouse	227,458 (Note)	–	227,458	0.01%

Note: Of these shares, 104,164 shares were held by Ms. Lim Beng Poh, the spouse of Mr. Tan Thiam Chai, and were deemed to be interested by Mr. Tan Thiam Chai.

(2) *Berjaya Land Berhad*

Name of director	Capacity	Number of shares held	Number of underlying shares under derivative interest held	Total interest	Approximate percentage of shareholding
Tan Thiam Chai	Beneficial Owner	10,000	–	10,000	0.00%

(3) *Berjaya Sports Toto Berhad*

Name of director	Capacity	Number of shares held	Number of underlying shares under derivative interest held	Total interest	Approximate percentage of shareholding
Chan Kien Sing	Beneficial Owner	3,428	–	3,428	0.00%
Tan Yeong Sheik, Rayvin	Beneficial Owner	165,000	–	165,000	0.01%
Tan Thiam Chai (Note)	Beneficial Owner/ interests of spouse	233,543	–	233,543	0.02%

Note: Of these shares, 70,000 shares were held by Ms. Lim Beng Poh, the spouse of Mr. Tan Thiam Chai, and were deemed to be interested by Mr. Tan Thiam Chai.

## SUPPLEMENTARY INFORMATION

Save as disclosed above, as at 31 October 2010, none of the Directors and chief executive of the Company had or were deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company pursuant to the Model Code of the Listing Rules.

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 October 2010, the Company had been notified of the following interests of the substantial shareholders and short positions in the shares or underlying shares of the Company, being 5% or more of the issued share capital of the Company. These interests are in addition to those disclosed above in respect of the Directors.

#### Long positions in shares and underlying shares

Name of shareholders	Capacity and nature of interest	Number of shares held	Number of underlying shares upon conversion of the ICULS*	Total interest	Approximate percentage of shareholding
Vincent, Tan Chee Youn ("TSVT") (Note 1-2)	Interests through controlled corporations/Beneficial Owner	2,980,972,977	6,261,956,108	9,242,929,085	215.20%
Berjaya Corporation Berhad ("BCorp") (Note 2)	Interests through controlled corporations	2,615,220,696	4,549,414,667	7,164,635,363	166.81%
Cosway Corporation Berhad (Note 3)	Interests through controlled corporations	2,142,855,115	4,416,764,092	6,559,619,207	152.73%
Berjaya Retail Berhad (Note 4)	Interests through controlled corporations	115,752,272	565,000,000	680,752,272	15.85%
United Industrial Services Ltd (Note 5)	Interests through controlled corporation	287,226,447	333,559,080	620,785,527	14.45%
Wan Ming Sun ("Mr. Wan") (Note 6)	Beneficial owner	285,386,626	75,898,805	361,285,431	8.41%
AmBank (M) Berhad (Note 7)	having a security interest in shares	150,000,000	-	150,000,000	3.49%
AMFB Holdings Berhad (Note 7)	Interests through controlled corporation	150,000,000	-	150,000,000	3.49%
AMMB Holdings Berhad (Note 7)	Interests through controlled corporations	150,000,000	-	150,000,000	3.49%

**SUPPLEMENTARY INFORMATION**

- \* ICULS refers to a 10-year one to three and a half per cent. (1-3.5%) irredeemable convertible unsecured loan securities issued by the Company and listed by way of selectively marketed securities (Stock Code: 4314) on the Stock Exchange with conversion rights to convert them into shares and the conversion price is HK\$0.20 per Share.

## Notes:

1. TSVT directly and indirectly controlled approximately 40.94% of the total issued share capital of BCorp as at 31 October 2010. TSVT was deemed to be interested in an aggregate of 9,242,929,085 shares held by BCorp and TSVT himself among which 6,261,956,108 were underlying shares held in form of ICULS which could be converted into ordinary shares.
2. BCorp held a total of 7,164,635,363 shares through Berjaya Group Berhad, Berjaya Group (Cayman) Limited, Berjaya Leisure (Cayman) Limited, Cosway Corporation Berhad, Berjaya Capital Berhad and Berjaya Hills Berhad including 4,549,414,667 underlying shares which could be issued upon conversion of the ICULS.
3. Cosway Corporation Berhad held a total of 6,559,619,207 shares directly and indirectly through its controlled corporations (Biofield Sdn. Bhd., Singer Malaysia Sdn. Bhd. and Berjaya Retail Berhad) including 4,416,764,092 underlying shares which could be issued upon conversion of the ICULS.
4. Berjaya Retail Berhad held a total of 680,752,272 shares directly and indirectly through its controlled corporations (Biofield Sdn. Bhd. and Singer Malaysia Sdn. Bhd.) including 565,000,000 underlying shares which could be issued upon conversion of the ICULS.
5. United Industrial Services Ltd held a total of 620,785,527 shares through its controlled corporation including 333,559,080 underlying shares which could be issued upon conversion of the ICULS.
6. Mr. Wan held 361,285,431 shares among which 75,898,805 were underlying shares held in form of ICULS which could be converted into ordinary shares.
7. AMMB Holdings Berhad having a security interest in 150,000,000 shares which are held through AmBank (M) Berhad and AMFB Holdings Berhad.

Save as disclosed above, as at 31 October 2010, the Company had not been notified of any person's interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the SFO.

## SUPPLEMENTARY INFORMATION

### SHARE OPTIONS

Details of the share option scheme was disclosed in the consolidated financial statements for the year ended 30 April 2010.

Movements of the share options during the six months ended 31 October 2010 were as follows:

Category of grantees	Notes	Date of grant of the share options	Exercise period of the share options	Exercise price of the share options	Number of options				
					Outstanding as at 1.5.2010	Granted during the period	Exercised during the period	Cancelled during the period	Outstanding as at 31.10.2010
<b>Executive Directors</b>									
Chuah Choong Heong	(a)	06.05.2010	06.05.2010 – 05.05.2020	HK\$1.10	-	7,500,000	-	-	7,500,000
Tan Yeong Sheik, Rayvin	(b)	06.05.2010	06.05.2010 – 05.05.2020	HK\$1.10	-	500,000	-	-	500,000
					-	8,000,000	-	-	8,000,000
<b>Non-Executive Directors</b>									
Tan Ee Ling	(c)	06.05.2010	06.05.2010 – 05.05.2020	HK\$1.10	-	125,000	-	-	125,000
<b>Others</b>									
Employees	(b and c)	06.05.2010	06.05.2010 – 05.05.2020	HK\$1.10	-	9,500,000	-	(250,000)	9,250,000
					-	17,625,000	-	(250,000)	17,375,000

The closing price of the Company's shares immediately before 6 May 2010, the date of grant, was HK\$1.05 per share. The 5-day weighted average closing price of the Company's shares immediately before the date on which the options were granted was HK\$1.10 per share.

Notes:

- (a) The options granted to Mr. Chuah Choong Heong may be exercised at any time from 6 May 2010 to 5 May 2020.
- (b) Mr. Tan Yeong Sheik, Rayvin and employees categorised as Senior Management (which includes a Managing Director of a subsidiary, Senior General Managers and General Managers):
  - (i) Tranche 1 – 50% of the maximum options shall vest on 6 May 2010.\*
  - (ii) Tranche 2 – 30% of the maximum options plus the balance of Tranche 1 options not vested on 6 May 2010 shall vest on 6 May 2011.\*
  - (iii) Tranche 3 – 20% of the maximum options plus the balance of Tranche 2 options not vested on 6 May 2011 shall vest on 6 May 2012.\*



## SUPPLEMENTARY INFORMATION

- (c) Ms. Tan Ee Ling and employees categorised as Middle Management (which includes Deputy General Managers, Assistant General Managers, Divisional Managers and Senior Managers):
- (i) Tranche 1 – 40% of the maximum options shall vest on 6 May 2010.\*
  - (ii) Tranche 2 – 30% of the maximum options plus the balance of Tranche 1 options not vested on 6 May 2010 shall vest on 6 May 2011.\*
  - (iii) Tranche 3 – 30% of the maximum options plus the balance of Tranche 2 options not vested on 6 May 2011 shall vest on 6 May 2012.\*
- \* The vesting of options granted to certain eligible participants in the vesting schedule stated in Note (b) and Note (c) above are additionally subject to and may be adjusted (within the limit of the maximum options) based on the Company's evaluation of work performance and contribution of such eligible participants.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES

- (i) Mr. Tan Yeong Sheik, Rayvin, an existing Executive Director of the Company, has been appointed as a new member of the Remuneration Committee of the Company with effect from 30 November 2010; and
- (ii) Mr. Chan Kien Sing, an existing Non-executive Director of the Company, has been appointed as a new member of the Audit Committee of the Company with effect from 30 November 2010.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the six months ended 31 October 2010, neither the Company nor any its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## COMPLIANCE OF THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has made specific enquiries to all directors of the Company who have confirmed that they have complied with the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the six months ended 31 October 2010.

## CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules during the six months ended 31 October 2010 except the deviations as follows:

### Code Provisions A.2.1

Mr. Chuah Choong Heong is both the Chairman of the Board and Chief Executive Officer of the Company. The Board considers that although such structure deviates from Rule A.2.1 of the Corporate Governance Code, the effective operation of the Group will not be impaired since Mr. Chuah has exercised sufficient delegation in the daily operation of the Group's business as Chief Executive Officer while being responsible for the effective operation of the Board as Chairman of the Board.

### Code Provisions A.4.1

Although certain non-executive directors are not appointed for a specific term, they are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report contained in the Company's 2010 Annual Report.

## AUDIT COMMITTEE

The Audit Committee, together with the management of the Company, has reviewed the accounting principles and practices adopted by the Company as well as the internal control procedures of the Company, and discussed financial reporting matters, including the review of unaudited consolidated interim financial statements for the six months ended 31 October 2010.

**SUPPLEMENTARY INFORMATION****APPRECIATION**

The Board would like to take this opportunity to thank our shareholders for their continued support and the fellow directors and our staff for their contributions to the Group.

By order of the Board  
**Cosway Corporation Limited**  
**Tan Yeong Sheik, Rayvin**  
*Executive Director*

Hong Kong, 20 December 2010

## CONSOLIDATED INCOME STATEMENT

Six months ended 31 October 2010

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>31 October</b>	
		<b>2010</b>	2009
	Notes	<b>HK\$'000</b>	HK\$'000
REVENUE	4	<b>1,540,642</b>	1,090,565
Cost of sales		<b>(902,961)</b>	(646,926)
		<hr/>	<hr/>
Gross profit		<b>637,681</b>	443,639
Other income	4	<b>6,150</b>	4,476
Selling and distribution expenses		<b>(246,786)</b>	(153,169)
General and administrative expenses		<b>(223,517)</b>	(145,869)
Other expenses		<b>(6,224)</b>	(1,651)
Finance costs	5	<b>(20,357)</b>	(1,240)
Share of profits and losses of associates		<b>124</b>	–
		<hr/>	<hr/>
PROFIT BEFORE TAX	6	<b>147,071</b>	146,186
Income tax expense	7	<b>(33,388)</b>	(32,608)
		<hr/>	<hr/>
PROFIT FOR THE PERIOD		<b>113,683</b>	113,578
		<hr/>	<hr/>
Attributable to:			
Owners of the parent		<b>112,474</b>	104,710
Non-controlling interests		<b>1,209</b>	8,868
		<hr/>	<hr/>
		<b>113,683</b>	113,578
		<hr/>	<hr/>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	9		
Basic (HK cents)		<b>0.89</b>	12.20
		<hr/>	<hr/>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 31 October 2010

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>31 October</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
PROFIT FOR THE PERIOD	<b>113,683</b>	113,578
<b>OTHER COMPREHENSIVE INCOME</b>		
Share of other comprehensive income of associates	<b>767</b>	–
Exchange differences on translation of foreign operations	<b>10,100</b>	21,934
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<b>10,867</b>	21,934
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>124,550</b>	135,512
Attributable to:		
Owners of the parent	<b>123,077</b>	125,260
Non-controlling interests	<b>1,473</b>	10,252
	<b>124,550</b>	135,512

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2010

		As at 31 October 2010 HK\$'000 (Unaudited)	As at 30 April 2010 HK\$'000 (Restated)#
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	283,533	235,007
Investment properties		270,865	264,519
Goodwill		324,029	317,395
Interests in associates		11,560	10,392
Available-for-sale investments		484	475
Deposits		45,684	45,167
Deferred tax assets		8,787	7,525
		<hr/>	
Total non-current assets		944,942	880,480
		<hr/>	
<b>CURRENT ASSETS</b>			
Inventories		759,900	581,889
Trade receivables	11	93,637	79,562
Tax recoverable		409	1,867
Prepayments, deposits and other receivables		101,464	66,269
Due from fellow subsidiaries		1,705	1,529
Pledged deposits		1,491	1,069
Cash and cash equivalents		177,642	135,212
		<hr/>	
Total current assets		1,136,248	867,397
		<hr/>	
<b>CURRENT LIABILITIES</b>			
Trade payables	12	342,158	260,515
Other payables and accruals		144,528	121,906
Defined benefit obligations		43	41
Deferred revenue		75,283	66,500
Interest-bearing bank and other borrowings	13	280,577	157,283
Due to associates		2,675	2,262
Due to fellow subsidiaries		2,661	1,040
Tax payable		40,279	43,139
		<hr/>	
Total current liabilities		888,204	652,686
		<hr/>	
<b>NET CURRENT ASSETS</b>		248,044	214,711
		<hr/>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,192,986	1,095,191
		<hr/>	

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 October 2010

	Notes	<b>As at 31 October 2010 HK\$'000 (Unaudited)</b>	As at 30 April 2010 HK\$'000 (Restated)#
<b>NON-CURRENT LIABILITIES</b>			
Defined benefit obligations		<b>1,398</b>	1,353
Interest-bearing bank and other borrowings	13	<b>17,982</b>	8,756
Loan from a shareholder		<b>11,771</b>	11,840
Irredeemable convertible unsecured loan securities	14	<b>313,921</b>	391,831
Deferred tax liabilities		<b>20,138</b>	19,502
Other payables		<b>278</b>	275
		<hr/> <b>365,488</b>	<hr/> 433,557
Total non-current liabilities			
		<hr/> <b>827,498</b>	<hr/> 661,634
Net assets			
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		<b>1,020,046</b>	553,400
Equity component of Irredeemable convertible unsecured loan securities	14	<b>1,368,596</b>	1,752,505
Reserves		<b>(1,574,590)</b>	(1,656,442)
		<hr/> <b>814,052</b>	<hr/> 649,463
<b>Non-controlling interests</b>		<b>13,446</b>	12,171
		<hr/> <b>827,498</b>	<hr/> 661,634
Total equity			

# Refer to Note 2 to the consolidated interim financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 31 October 2010

	Attributable to owners of the parent										
	Issued capital	Exchange fluctuation	Capital reserve	Available-for-sale investment revaluation	Share option reserve	Reverse acquisition reserve	Equity component of irredeemable convertible	Retained profits	Total	Non-controlling interests	Total equity
							unsecured loan securities				
							HK\$'000				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 May 2010	553,400	25,388*	2,984*	(2,542)*	-	(2,058,762)*	1,752,505	376,490*	649,463	12,171	661,634
Total comprehensive income for the period	-	9,836	-	767	-	-	-	112,474	123,077	1,473	124,550
Equity settled share option expenses (note 17)	-	-	-	-	11,199	-	-	-	11,199	-	11,199
Share options cancelled	-	-	-	-	(159)	-	-	159	-	-	-
Conversion of irredeemable convertible unsecured loan securities (note 14)	466,646	-	-	-	-	-	(383,909)	-	82,737	-	82,737
Final 2010 dividend paid (note 8)	-	-	-	-	-	-	-	(52,424)	(52,424)	-	(52,424)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	(198)	(198)
At 31 October 2010	<b>1,020,046</b>	<b>35,224*</b>	<b>2,984*</b>	<b>(1,775)*</b>	<b>11,040*</b>	<b>(2,058,762)*</b>	<b>1,368,596</b>	<b>436,699*</b>	<b>814,052</b>	<b>13,446</b>	<b>827,498</b>

\* These reserve accounts aggregate to the consolidated negative reserves of HK\$1,574,590,000 (30 April 2010: negative reverses of HK\$1,656,442,000) in the consolidated statement of financial position.

	Attributable to owners of the parent						
	Issued capital	Exchange fluctuation	Capital reserve	Retained profits	Total	Non-controlling interests	Total equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 May 2009	332,861	(42,240)	2,984	164,734	458,339	37,914	496,253
Total comprehensive income for the period	-	20,550	-	104,710	125,260	10,252	135,512
Dividends paid to minority shareholders	-	-	-	-	-	(358)	(358)
At 31 October 2009	<b>332,861</b>	<b>(21,690)</b>	<b>2,984</b>	<b>269,444</b>	<b>583,599</b>	<b>47,808</b>	<b>631,407</b>



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

Six months ended 31 October 2010

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>31 October</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Net cash flows from operating activities	<b>65,968</b>	61,507
Net cash flows used in investing activities	<b>(77,548)</b>	(68,233)
Net cash flows from/(used in) financing activities	<b>29,717</b>	(977)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>18,137</b>	(7,703)
Effect on foreign exchange rate changes, net	<b>(5,287)</b>	3,197
Cash and cash equivalents at beginning of period	<b>107,292</b>	57,982
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>120,142</b>	53,476
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>160,961</b>	85,597
Non-pledged time deposits with original maturity of less than three months when acquired	<b>16,681</b>	5,596
Cash and cash equivalents as stated in the statement of financial position	<b>177,642</b>	91,193
Deposit with original maturity of less than three months when accepted, pledged as security for banking guarantees	<b>1,491</b>	775
Bank overdrafts	<b>(58,991)</b>	(38,492)
Cash and cash equivalents as stated in the statement of cash flows	<b>120,142</b>	53,476

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 October 2010

## 1. BASIS OF PREPARATION

The consolidated interim financial statements has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 April 2010. The consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the audited financial statements of the Group for the year ended 30 April 2010, except for the accounting policy changes that are expected to be reflected in the audited financial statements for the year ending 30 April 2011 set out in note 2.

### **Reverse acquisition**

Upon the completion of the acquisition of 100% equity interest in Cosway (M) Sdn. Bhd. (“Cosway M”) and its subsidiaries (collectively the “Cosway M Group”) on 8 December 2009 (the “Acquisition”), the Group is now principally engaged in the direct sales of consumer products, property investment and investment holding. The Acquisition was accounted for as a reverse acquisition in accordance with Hong Kong Financial Reporting Standard (“HKFRS”) 3 “Business Combinations” issued by HKICPA. For accounting purposes, Cosway M is regarded as the acquirer while the Company and its subsidiaries before the Acquisition are deemed to have been acquired by Cosway M. The comparative financial information for consolidated income statement and consolidated statement of comprehensive income (for the period ended 31 October 2009) represents comparative information of Cosway M Group.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 October 2010

### 2. CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

During the period under review, the Group has applied for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
Improvements to HKFRSs (May 2009)*	<i>Amendments to a number of HKFRSs</i>

\* Improvements to HKFRSs (May 2009) contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

Except for the adoption of amendment to HKAS 17, the adoption of other new and revised HKFRSs has had no material effect on the operating results and presentation of financial statements for the current and prior accounting periods.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 October 2010

### 2. CHANGE IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

The amendments to HKAS 17 "Leases" are effective for the Group with effect from 1 May 2010. Amendments to HKAS 17 require that the classification of leases is based on the extent to which the risks and rewards incidental to ownership of an asset lie with the lessor or the lessee. In particular, the amendments deleted the specific guidance in the standard which previously required that the land element in a lease is normally classified as an operating lease unless title to the leasehold land is expected to be passed to the lessee by the end of the lease term. Under the amended HKAS 17, a leasehold land is classified as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of the leasehold land to the lessee.

The amendments to HKAS 17 are required to be applied retrospectively. Comparative information has been restated to reflect this change in accounting policy. The effect of the adoption of this change in accounting policy is a reclassification of the Group's leases from "Prepaid land lease payments" to "Property, plant and equipment" of HK\$9,835,000, HK\$9,618,000 and HK\$8,747,000 as of 31 October 2010, 1 May 2010 and 1 May 2009 respectively; and the reclassification of the corresponding "Recognition of prepaid land lease payments" to "Depreciation" of HK\$98,000 and HK\$91,000 for the six months ended 31 October 2010 and 31 October 2009 respectively. This amendment had no impact on the Group's retained earnings and current period's profit.

### 3. OPERATING SEGMENT INFORMATION

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

- (a) the direct selling/retailing segment is engaged in direct selling of household, personal care, healthcare and other consumer products; and
- (b) the property investment segment is engaged in investment in prime office space for rental income potential.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, share of profits and losses of associates as well as head office and corporate income and expenses are excluded from such measurement.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 31 October 2010

**3. OPERATING SEGMENT INFORMATION** (Continued)

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Period ended 31 October	Direct selling/Retailing		Property investment		Total	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
Segment revenue						
Sales to external customers	<b>1,534,782</b>	1,085,458	<b>5,860</b>	5,107	<b>1,540,642</b>	1,090,565
Intersegment sales	-	-	<b>3,002</b>	1,564	<b>3,002</b>	1,564
	<b>1,534,782</b>	1,085,458	<b>8,862</b>	6,671	<b>1,543,644</b>	1,092,129
<i>Reconciliation:</i>						
Elimination of intersegment sales					<b>(3,002)</b>	(1,564)
Revenue					<b>1,540,642</b>	1,090,565
<b>Segment results</b>	<b>158,314</b>	140,181	<b>2,840</b>	2,769	<b>161,154</b>	142,950
<i>Reconciliation:</i>						
Interest income					<b>147</b>	770
Unallocated gains					<b>6,003</b>	3,706
Finance costs					<b>(20,357)</b>	(1,240)
Share of profits and losses of associates					<b>124</b>	-
Profit before tax					<b>147,071</b>	146,186

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 October 2010

### 4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, net of discounts and returns; the value of services rendered; and gross rental income received and receivable from investment properties during the period.

An analysis of revenue and other income is as follows:

	Six months ended 31 October	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Sale of goods	1,491,431	1,054,593
Membership fee income	43,351	30,865
Gross rental income	5,860	5,107
	<hr/>	<hr/>
	1,540,642	1,090,565
	<hr/>	<hr/>
<b>Other income</b>		
Interest income	147	770
Others	6,003	3,706
	<hr/>	<hr/>
	6,150	4,476
	<hr/>	<hr/>

### 5. FINANCE COSTS

	Six months ended 31 October	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans, overdrafts and other loans wholly repayable within five years	4,910	1,240
Interest on Irredeemable Convertible Unsecured Loan Securities ("ICULS")	15,447	–
	<hr/>	<hr/>
	20,357	1,240
	<hr/>	<hr/>

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 31 October 2010

**6. PROFIT BEFORE TAX**

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

	<b>Six months ended 31 October</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Cost of inventories sold	<b>694,840</b>	476,833
Depreciation	<b>25,759</b>	15,461
Loss on disposal of items of property, plant and equipment	<b>227</b>	141
Impairment/(reversal of impairment) of trade receivables, net	<b>3,333</b>	(203)
Impairment/(reversal of impairment) of other receivables	<b>(843)</b>	1,216
Write-down of inventories to net realisable value	<b>3,802</b>	1,622

**7. INCOME TAX**

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	<b>Six months ended 31 October</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Group:		
Current – Hong Kong		
Charge for the period	<b>8,576</b>	6,376
Overprovision in prior years	–	(24)
Current – Malaysia		
Charge for period	<b>21,684</b>	24,138
Underprovision in prior years	<b>585</b>	–
Current – Elsewhere		
Charge for the period	<b>3,557</b>	3,722
Deferred	<b>(1,014)</b>	(1,604)
Total tax charge for the period	<b>33,388</b>	32,608

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 October 2010

### 8. DIVIDEND

	Six months ended 31 October	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend – HK1.5 cents per ordinary share (2009: Nil)	<b>52,424</b>	–

On 8 October 2010, a dividend of HK1.5 cents per share, or HK\$52,424,000 in total, was paid to shareholders as the final dividend for the year ended 30 April 2010.

### 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Under the reverse acquisition method of accounting, the 858,185,074 ordinary shares, in aggregate, issued by the Company to effect the Acquisition are deemed to be issued on 1 May 2009 for the purpose of calculating the earnings per share. Details of the Acquisition are set out in the circular of the Company dated 30 October 2009.

The calculation of basic earnings per share is based on the following data:

	Six months ended 31 October	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<b>112,474</b>	104,710
<b>Shares</b>		
Weighted average number of ordinary shares (inclusive of mandatorily convertible instruments) for the purpose of calculating basic earnings per share calculation	<b>12,611,732</b>	858,185

No diluted earnings per share is presented for the current period as the computation based on the outstanding share options would have an antidilutive effect.

### 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 October 2010, the Group acquired items of property, plant and equipment with a cost of HK\$67,704,000 (for the six months ended 31 October 2009: HK\$45,548,000). Depreciation for items of property, plant and equipment is HK\$25,759,000 (for the six months ended 31 October 2009: HK\$15,461,000) during the period.

Property, plant and equipment with a net book value of HK\$931,000 were disposed of by the Group during the six months ended 31 October 2010 resulting in a net loss on disposal of HK\$227,000 (for the six months ended 31 October 2009: HK\$141,000).



**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 31 October 2010

**11. TRADE RECEIVABLES**

	<b>31 October 2010 HK\$'000 (Unaudited)</b>	30 April 2010 HK\$'000 (Audited)
Trade receivables	<b>123,397</b>	105,128
Impairment	<b>(29,760)</b>	(25,566)
	<b>93,637</b>	79,562

The Group's trading credit terms range from 1 day to 90 days. Other credit terms are assessed and approved on a case-by-case basis. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<b>31 October 2010 HK\$'000 (Unaudited)</b>	30 April 2010 HK\$'000 (Audited)
Current	<b>61,778</b>	59,090
1 to 2 months	<b>990</b>	1,426
2 to 3 months	<b>1,779</b>	1,852
Over 3 months	<b>29,090</b>	17,194
	<b>93,637</b>	79,562

**12. TRADE PAYABLES**

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>31 October 2010 HK\$'000 (Unaudited)</b>	30 April 2010 HK\$'000 (Audited)
Current	<b>228,878</b>	159,703
1 to 2 months	<b>43,187</b>	27,037
2 to 3 months	<b>13,446</b>	8,114
Over 3 months	<b>56,647</b>	65,661
	<b>342,158</b>	260,515

The trade payables are non-interest-bearing and are normally settled on 30-day to 90-day terms.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 October 2010

### 13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 October 2010 (Unaudited)			30 April 2010 (Audited)		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
Bank overdrafts – unsecured	Malaysia Banking Institution's Base Lending Rate ("BLR") + 1.75	On demand	58,991	BLR + 1.75	On demand	28,989
Bank loan – unsecured	Kuala Lumpur Interbank Offered Rate ("KLIBOR") + 0.75-1.00	2010-2011	142,753	KLIBOR + 0.75-1.00	2010	56,751
Hire purchase contract payables – secured	3.24-4.70	2010-2011	23	3.24-4.70	2010-2011	32
Bank loans – secured	Taiwan Reuters Primary Market Commercial Paper 90 Days Rate ("TRPMCPR") + 0.43	2011	732	TRPMCPR + 0.43	2011	728
Bank loan – unsecured	Taiwan Banking Institution's Base Lending Rate (TBLR) + 0.40	2010-2011	2,476	–	–	–
Revolving credit – secured	Cost of Fund ("COF") + 2.00	2011	75,422	COF + 2.00	2011	70,603
Bank loan – secured	Hong Kong Dollar Prime Lending Rate ("HKDPLR") – 0.50	2010-2011	180	HKDPLR – 0.50	2010	180
			280,577			157,283
<b>Non-current</b>						
Hire purchase contract payables – secured	–	–	–	3.24-4.70	2011	7
Bank loan – secured	TRPMCPR + 0.43	2013	2,208	TRPMCPR + 0.43	2013	2,584
Bank loan – unsecured	TBLR + 0.60	2015	9,699	–	–	–
Bank loan – secured	HKDPLR – 0.50	2011-2015	6,075	HKDPLR – 0.50	2011-2015	6,165
			17,982			8,756
			298,559			166,039

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 31 October 2010

**13. INTEREST-BEARING BANK AND OTHER BORROWINGS** (Continued)

	<b>31 October</b>	30 April
	<b>2010</b>	2010
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	<b>280,554</b>	157,251
In the second year	<b>3,403</b>	180
In the third to fifth years, inclusive	<b>14,579</b>	3,124
Beyond five years	–	5,445
	<b>298,536</b>	166,000
Other borrowings repayable:		
Within one year or on demand	<b>23</b>	32
In the second year	–	7
	<b>23</b>	39
	<b>298,559</b>	166,039

## Notes:

Certain of the Group's bank and other borrowings are secured by:

- (i) the pledge of the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of approximately HK\$199,737,000 (30 April 2010: HK\$195,484,000);
- (ii) the pledge of certain of the Group's freehold land and buildings, which had an aggregate carrying value at the end of the reporting period of approximately HK\$8,859,000 (30 April 2010: HK\$8,784,000); and
- (iii) the pledge of certain of the Group's leasehold land, which had an aggregate carrying value at the end of the reporting period of approximately HK\$5,624,000 (30 April 2010: HK\$5,509,000).

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 October 2010

### 14. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN SECURITIES ("ICULS")

On 8 December 2009, the Company issued 10-year ICULS with a principal sum of HK\$2,190,000,000. The ICULS are convertible, at the option of the ICULS holders, into ordinary shares at any time until the maturity date on the basis of one ordinary share for every HK\$0.20 ICULS held. The ICULS carry interest at a rate of 1% per annum for the first and the second year and 3.5% per annum subsequently; which is payable half-yearly in arrears on 7 June and 7 December.

On issuance of ICULS, the fair value of the liability component is the present value of the future interest payments to the ICULS holders discounted at the effective interest rate of 9.61% per annum. The residual amount is assigned as the equity component and is included in shareholders' equity. On 3 September 2010, 10 September 2010 and 22 October 2010, a portion of the principal sum of the ICULS of HK\$466,645,780, in aggregate, was converted into 2,333,228,900 ordinary shares of HK\$0.20 each of the Company at the conversion price of HK\$0.20 per share.

As at 31 October 2010, the ICULS with an aggregate principal amount of HK\$1,663,354,220 remained outstanding. Upon full conversion, the ICULS shall be converted into 8,316,771,100 ordinary shares of the Company. The movement of the ICULS during the period for the liability and equity components were as follows:

	<b>Liability component of the ICULS</b>	<b>Equity component of the ICULS</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
Nominal value of ICULS, at the inception date on 8 December 2009	388,279	1,801,721	2,190,000
Interest expense	14,336	–	14,336
Conversion of ICULS	(10,784)	(49,216)	(60,000)
	<hr/>	<hr/>	<hr/>
At 30 April 2010 and 1 May 2010 (Audited)	391,831	1,752,505	2,144,336
Interest expense	15,447	–	15,447
Interest paid	(10,620)	–	(10,620)
Conversion of ICULS	(82,737)	(383,909)	(466,646)
	<hr/>	<hr/>	<hr/>
At 31 October 2010 (Unaudited)	<b>313,921</b>	<b>1,368,596</b>	<b>1,682,517</b>

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 31 October 2010

**15. CONTINGENT LIABILITY**

A subsidiary of the Group, namely Cosway (HK) Limited ("CHK"), is currently a respondent in a legal claim brought by a party alleging that CHK breached and repudiated a signed courier service agreement to use certain minimum services from a service provider. The directors, based on the advice from the Group's legal counsel, believe that CHK has a valid defense against the allegation and, accordingly, have not provided for any claim, other than the related legal and other costs.

**16. RELATED PARTY TRANSACTIONS**

(a) Transactions with related parties during the period:

	Notes	Six months ended 31 October	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Sales of goods to fellow subsidiaries	(i)	<b>1,643</b>	911
Leasing of aircrafts from a fellow subsidiary	(ii)	<b>1,173</b>	1,059
Service fees paid to fellow subsidiaries	(iii)	<b>15,391</b>	7,533
Purchases of goods from fellow subsidiaries	(iv)	<b>4,353</b>	2,268
Rental expenses paid to related companies	(v)	<b>970</b>	888

Notes:

- (i) Pursuant to the supply of goods agreements signed with fellow subsidiaries, the sales of goods were conducted based on normal commercial terms agreed between the relevant parties.
- (ii) Pursuant to the leasing agreement signed with a fellow subsidiary, the lease of aircrafts was conducted based on normal commercial terms agreed between the relevant parties.
- (iii) Pursuant to the supply of services agreements signed with fellow subsidiaries, including advertising services, mailing services, printing services, courier services, insurance services, guard services and logistic and transportation services, the arrangements were made based on normal commercial terms agreed between the relevant parties.
- (iv) Pursuant to the supply of goods agreements signed with fellow subsidiaries, the purchases of goods were conducted based on normal commercial terms agreed between the relevant parties.
- (v) During the period, the Group leased certain premises from two related companies. The major shareholder of one of the related companies is also the major shareholder of B Corp, the Group's ultimate holding company and the other related company is an associate of B Corp. Pursuant to the leasing agreements signed with these related companies, the lease of related companies' premises were conducted based on normal commercial terms agreed between the relevant parties.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 October 2010

### 16. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel of the Group:

	<b>Six months ended 31 October</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Short term employee benefits	<b>4,498</b>	101
Post-employment benefits	<b>417</b>	13
Share-based payment	<b>5,163</b>	–
	<hr/>	<hr/>
Total compensation paid to key management personnel	<b>10,078</b>	114
	<hr/>	<hr/>

### 17. SHARE OPTIONS

Details of the share options outstanding during the current period are as follows:

	<b>Number of share options (‘000)</b>
Granted during the period	17,625
Cancelled during the period	(250)
	<hr/>
As at 31 October 2010	17,375
	<hr/>

The fair value of equity-settled share options granted during the period was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	<b>6 May 2010</b>
Expected dividend yield (%)	0.00
Expected volatility (%)	105.00
Average risk-free interest rate (%)	2.56
Early exercise behaviour	310% of the exercise price
Rate of leaving service after the share options are vested (%)	1.50

The Group recognised a share option expense of HK\$11,199,000 during the period ended 31 October 2010.

At the end of the reporting period, the Company had 17,375,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 17,375,000 additional ordinary shares of the Company and additional share capital of HK\$3,475,000 and share premium of HK\$15,637,500 (before issue expenses).