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COSWAY CORPORATION LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 288)

UNAUDITED QUARTERLY RESULTS FOR THE PERIOD ENDED 31 JULY 2010

The board of directors (the “Board”) of Cosway Corporation Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the period ended 31 July 2010 with the comparative figures for the corresponding period in 2009.

CONSOLIDATED INCOME STATEMENT

For the three months ended 31 July 2010

	Unaudited Three months ended 31 July	
	2010	2009
	HK\$'000	HK\$'000
REVENUE	709,816	550,500
Cost of sales	(416,935)	(332,043)
Gross profit	292,881	218,457
Other income	4,934	4,513
Selling and distribution expenses	(107,438)	(77,339)
General and administrative expenses*	(111,490)	(69,275)
Other expenses	(6,832)	(3,053)
Finance costs	(11,507)	(525)
Share of profits and losses of associates	(83)	–
PROFIT BEFORE TAX	60,465	72,778
Income tax expense	(17,141)	(17,385)
PROFIT FOR THE PERIOD	43,324	55,393
Attributable to:		
Owners of the parent	42,769	51,159
Minority interests	555	4,234
	43,324	55,393

* Including depreciation and amortisation expenses of HK\$12,061,000 (2009: HK\$7,066,000).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2010

	As at 31 July 2010 <i>HK\$'000</i> (Unaudited)	As at 30 April 2010 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	241,506	225,389
Investment properties	261,472	264,519
Prepaid land lease payments	9,362	9,431
Goodwill	317,205	317,395
Interests in associates	10,026	10,392
Available-for-sale investments	471	475
Deposits	44,676	45,167
Deferred tax assets	7,488	7,525
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Total non-current assets	892,206	880,293
CURRENT ASSETS		
Inventories	678,709	581,889
Trade receivables	72,508	79,562
Tax recoverable	1,080	1,867
Prepayments, deposits and other receivables	85,049	66,456
Due from fellow subsidiaries	2,440	1,529
Pledged deposits	1,299	1,069
Cash and cash equivalents	150,133	135,212
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Total current assets	991,218	867,584
CURRENT LIABILITIES		
Trade payables	302,635	260,515
Other payables and accruals	136,882	121,906
Defined benefit obligations	41	41
Deferred revenue	68,908	66,500
Interest-bearing bank and other borrowings	187,257	157,283
Due to associates	2,550	2,262
Due to fellow subsidiaries	3,166	1,040
Tax payable	49,179	43,139
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Total current liabilities	750,618	652,686
NET CURRENT ASSETS		
	<hr/>	<hr/>
	240,600	214,898
TOTAL ASSETS LESS CURRENT LIABILITIES		
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	1,132,806	1,095,191

	As at 31 July 2010 HK\$'000 (Unaudited)	As at 30 April 2010 HK\$'000 (Audited)
NON-CURRENT LIABILITIES		
Defined benefit obligations	1,333	1,353
Interest-bearing bank and other borrowings	8,625	8,756
Loan from a shareholder	11,495	11,840
Irredeemable convertible unsecured loan securities	390,514	391,831
Deferred tax liabilities	19,199	19,502
Other payables	275	275
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Total non-current liabilities	431,441	433,557
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Net assets	701,365	661,634
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EQUITY		
Equity attributable to owners of the parent		
Issued capital	553,400	553,400
Equity component of Irredeemable convertible unsecured loan securities	1,752,505	1,752,505
Reserves	(1,616,958)	(1,656,442)
	<hr/>	<hr/>
	688,947	649,463
Minority interests	<hr/>	<hr/>
	12,418	12,171
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Total equity	701,365	661,634
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Basis of Preparation

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") in 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 Hong Kong Institute of Certified Public Accountants ("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 income statement (for the period ended 31 July 2009) represents comparative financial information for Cosway M Group.

Business Review

For the quarter under review, the Group registered HK\$710 million or 29% increase in revenue as compared to the same quarter last year. The increase was primarily due to higher revenue growth in Malaysia, Thailand and Australia as a result of the Group's strategies to increase the number of free stores and continuous effort in introducing new products has brought in more consumers and members thus giving rise to improved sales worldwide.

The Group reported a net profit of HK\$43 million for the three months ended 31 July 2010, representing a decrease of 22% over the same period last year. The decrease was primarily attributed to higher employee benefit expenses of approximately HK\$11.2 million arising from the equity-settled transaction costs in relation to the Company's share option scheme (whereby the first grant of share option was awarded to the eligible directors and employees in May 2010) in accordance with the accounting treatment of HKFRS 2 "Share-Based Payment" as well as interest costs of approximately HK\$9.3 million in relation to the issuance of Irredeemable Convertible Unsecured Loan Securities ("ICULS") for the Acquisition. Excluding the non-cash employee benefit expenses and the ICULS interest arising from the Acquisition, the Group's net profit for the period under review would have been HK\$64 million, representing an increase of 15% compared to the same period last year.

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

Hong Kong,
17 September 2010

As at the date of this announcement, the Board of the Company comprises two Executive Directors, namely Mr. Chuah Choong Heong and Mr. Tan Yeong Sheik, Rayvin; three Non-executive Directors, namely Mr. Chan Kien Sing, Mr. Tan Thiam Chai and Ms. Tan Ee Ling and three Independent Non-executive Directors, namely Mr. Wong Ying Wai, Wilfred, Mr. Leou Thiam Lai and Ms. Deng Xiao Lan, Rose.