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COSWAY CORPORATION LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 288)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2010

The board of directors (the "Board") of Cosway Corporation Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 October 2010 (the "Period") with the comparative figures for the corresponding period in 2009.

CONSOLIDATED INCOME STATEMENT

Six months ended 31 October 2010

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 31 October 2010

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 October 2010

	Notes	**As at 31 October 2010 *HK$'000* (Unaudited)**	As at 30 April 2010 *HK$'000* (Restated)#
NON-CURRENT ASSETS			
Property, plant and equipment		**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
Total non-current assets		**944,942**	880,480
CURRENT ASSETS			
Inventories		**759,900**	581,889
Trade receivables	*10*	**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
Total current assets		**1,136,248**	867,397
CURRENT LIABILITIES			
Trade payables	*11*	**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		**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
Total current liabilities		**888,204**	652,686
NET CURRENT ASSETS		**248,044**	214,711
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,192,986**	1,095,191

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

Refer to Note 2 to the consolidated interim financial statements.

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.

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

* 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.

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.

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

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** ***HK$'000*** **(Unaudited)**	 2009 *HK$'000* (Unaudited)
Revenue		
Sale of goods	**1,491,431**	1,054,593
Membership fee income	**43,351**	30,865
Gross rental income	**5,860**	5,107
	1,540,642	1,090,565
Other income		
Interest income	**147**	770
Others	**6,003**	3,706
	6,150	4,476

5. FINANCE COSTS

	Six months ended 31 October 2010 HK$'000 (Unaudited)	2009 HK$'000 (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**	–
	20,357	1,240

6. PROFIT BEFORE TAX

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

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

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

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)	**52,424**	–

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)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**112,474**	104,710

	2010	2009
	Number of Shares	Number of shares
	('000)	*('000)*
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares (inclusive of mandatorily convertible instruments) for the purpose of calculating basic earnings per share calculation	**12,611,732**	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. TRADE RECEIVABLES

	31 October 2010 HK$'000 (Unaudited)	30 April 2010 HK$'000 (Audited)
Trade receivables	**123,397**	105,128
Impairment	**(29,760)**	(25,566)
	93,637	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:

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

11. 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:

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

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

12. 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 defence against the allegation and, accordingly, have not provided for any claim, other than the related legal and other costs.

INTERIM DIVIDEND

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

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.

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$'mil	**%**	*HK$'mil*	%	%
Direct Selling/Retailing	**1,534.78**	**99.6%**	1,085.86	99.6%	41.3%
Others	**5.86**	**0.4%**	4.70	0.4%	24.7%
Total	**1,540.64**	**100.0%**	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$'mil	**%**	*HK$'mil*	%	%
Malaysia, Singapore and Brunei	**826.42**	**53.8%**	586.59	54.0%	40.9%
Hong Kong, Macau and Taiwan	**595.32**	**38.8%**	434.76	40.0%	36.9%
Other Countries	**113.04**	**7.4%**	64.51	6.0%	75.2%
Total	**1,534.78**	**100.0%**	1,085.86	100.0%	41.3%

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.

Sales by Product Category

	Six months ended 31 October	
	2010	2009
Categories	**%**	%
Health Care	**39.7**	39.3
Personal Care	**28.2**	26.5
Home Care	**15.2**	17.0
Food & Beverage	**7.6**	9.0
Others	**9.3**	8.2
Total	**100.0**	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. In 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.

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.

Pledged 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 12 to the consolidated interim result announcement.

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.

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.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website at www.coswaycorp.com and the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk. The interim report will be available on the websites of The Stock Exchange of Hong Kong Limited and the Company and will be despatched to shareholders in due course.

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

Hong Kong, 20 December 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.