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COSWAY CORPORATION LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 288)

UNAUDITED QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 JANUARY 2011

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 nine months ended 31 January 2011 (the “Period”) with the comparative figures for the corresponding period in 2010.

CONSOLIDATED INCOME STATEMENT

Nine months ended 31 January 2011

	Unaudited	
	Nine months ended	
	31 January	
	2011	2010
	HK\$'000	HK\$'000
REVENUE	2,462,387	1,677,904
Cost of sales	(1,449,052)	(976,819)
Gross profit	1,013,335	701,085
Other income	8,780	6,938
Selling and distribution expenses	(387,710)	(258,358)
General and administrative expenses [#]	(362,953)	(234,420)
Other expenses	(9,801)	(8,749)
Finance costs	(33,763)	(6,084)
Share of profits and losses of associates	566	1,812
PROFIT BEFORE TAX	228,454	202,224
Income tax expense	(50,751)	(46,280)
PROFIT FOR THE PERIOD	177,703	155,944
Attributable to:		
Owners of the parent	175,813	146,057
Non-controlling interests	1,890	9,887
	177,703	155,944

[#] Including depreciation expenses of HK\$40,600,000 (2010: HK\$24,943,000).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2011

	As at 31 January 2011 <i>HK\$'000</i> (Unaudited)	As at 30 April 2010 <i>HK\$'000</i> (Restated)*
NON-CURRENT ASSETS		
Property, plant and equipment	301,290	235,007
Investment properties	272,324	264,519
Goodwill	325,642	317,395
Interests in associates	14,274	10,392
Available-for-sale investments	486	475
Deposits	47,301	45,167
Deferred tax assets	7,507	7,525
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Total non-current assets	968,824	880,480
CURRENT ASSETS		
Inventories	828,257	581,889
Trade receivables	79,237	79,562
Tax recoverable	2,559	1,867
Prepayments, deposits and other receivables	116,736	66,269
Due from fellow subsidiaries	1,326	1,529
Pledged deposits	6,196	1,069
Cash and cash equivalents	198,909	135,212
	<hr/>	<hr/>
Total current assets	1,233,220	867,397
CURRENT LIABILITIES		
Trade payables	373,725	260,515
Other payables and accruals	155,375	121,906
Defined benefit obligations	43	41
Deferred revenue	74,361	66,500
Interest-bearing bank and other borrowings	281,653	163,448
Due to associates	3,017	2,262
Due to fellow subsidiaries	2,947	1,040
Tax payable	45,660	43,139
	<hr/>	<hr/>
Total current liabilities	936,781	658,851
NET CURRENT ASSETS	<hr/> 296,439	<hr/> 208,546
TOTAL ASSETS LESS CURRENT LIABILITIES	<hr/> 1,265,263	<hr/> 1,089,026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2011

	As at 31 January 2011 <i>HK\$'000</i> (Unaudited)	As at 30 April 2010 <i>HK\$'000</i> (Restated)*
NON-CURRENT LIABILITIES		
Defined benefit obligations	1,407	1,353
Interest-bearing bank and other borrowings	12,604	2,591
Loan from a shareholder	11,999	11,840
Irredeemable convertible unsecured loan securities	298,900	391,831
Deferred tax liabilities	20,256	19,502
Other payables	243	275
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Total non-current liabilities	345,409	427,392
	<hr/>	<hr/>
Net assets	919,854	661,634
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EQUITY		
Equity attributable to owners of the parent		
Issued capital	1,088,016	553,400
Equity component of Irredeemable convertible unsecured loan securities	1,312,676	1,752,505
Reserves	(1,494,844)	(1,656,442)
	<hr/>	<hr/>
	905,848	649,463
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Non-controlling interests	14,006	12,171
	<hr/>	<hr/>
Total equity	919,854	661,634
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* Refer to Note 2 to the quarterly consolidated financial statements

NOTES TO THE QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

1. 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 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 (the “CCL Group”) are deemed to have been acquired by Cosway M. The comparative financial information for quarterly consolidated income statement (for the period ended 31 January 2010) represents comparative information of Cosway M Group for the nine months ended 31 January 2010 and the post-acquisition consolidated results of CCL Group for the period from 8 December 2009, the date of the Acquisition, to 31 January 2010.

2. CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

Except as described below, the accounting policies used in the preparation of these quarterly consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 April 2010.

- (a) The amendments to Hong Kong Accounting Standard (“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\$9,853,000, HK\$9,618,000 and HK\$8,747,000 as of 31 January 2011, 1 May 2010 and 1 May 2009 respectively; and the reclassification of the corresponding “Recognition of prepaid land lease payments” to “Depreciation” of HK\$145,000 and HK\$149,000 for the nine months ended 31 January 2011 and 31 January 2010 respectively. This amendment had no impact on the Group’s retained earnings and current period’s profit.

- (b) On 29 November 2010, the HKICPA issued Hong Kong Interpretation 5 “Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause”. The Interpretation is effective immediately and is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of Hong Kong Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the consolidated statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The amendments to HK Interpretation 5 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 interest-bearing bank and other borrowings from non-current liabilities to current liabilities of HK\$6,030,000 and HK\$6,165,000 as of 31 January 2011 and 1 May 2010 respectively. This amendment had no impact on the Group's retained earnings and current period's profit.

BUSINESS REVIEW

For the nine months ended 31 January 2011, the Group's total revenue increased by 47% to HK\$2.46 billion as compared to HK\$1.68 billion recorded in the same period last year. The high growth in revenue was primarily due to improved productivity of the "Free Stores" particularly in Malaysia and Hong Kong while in other markets sales was driven by the increased number of "Free Stores" supported by new members and shoppers.

Operating profit before finance costs for the period under review increased by 26% to HK\$262.22 million as compared to HK\$208.31 million recorded in the same period last year. This result was attained in tandem with higher revenue but was impacted by the higher operating expenses associated with the Group's proactive efforts in penetrating into new markets and 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 (the first grant of share option was awarded to the eligible directors and employees in May 2010).

Profit for the period ended 31 January 2011 increased by 14% to HK\$177.70 million as compared to HK\$155.94 million recorded in the same period last year after taking into consideration the Irredeemable Convertible Unsecured Loan Securities (issued by the Company for the Very Substantial Acquisition on 8 December 2009) interest cost of approximately HK\$25.4 million.

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

Hong Kong, 18 March 2011

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. Leou Thiam Lai, Ms. Deng Xiao Lan, Rose and Mr. Massimo Guglielmucci.